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Outsourcing Customer Service

-A Conceptual Step-By-Step Process

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This has been one of the hardest years I have had, but at the same time, one of the most rewarding. I would like to thank my instructors Dr. Thomas Rohweder and Dr. Satu Teerikangas for their unfailing faith in me. I would also like to extend my thanks to Zinaida Grabovskaia and Sonja Holappa for their support during this project.

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<p>This study concerns building a conceptual step-by-step process for a customer service outsourcing project. The case company provides its clients outsourced customer services. They have created a service solution that combines technology and resources needed for outsourcing customer service. To complement this solution, this study provides a conceptual process for implementing the service to the outsourced service supplier.</p> <p>Data for the study is collected from relevant literature, and by one-on-one interviews. Based on the findings of current literature on outsourcing, elements needed for a successful outsourcing project are listed. The subsequent Current State Analysis performed on the case project shows there are some challenges in the knowledge transfer of the service. This is researched in more detail to improve the process in future outsourcing projects.</p> <p>Based on the findings of the CSA and Conceptual Framework, the process proposal is built in collaboration with the case company key stakeholders and validated by the CEO of the company.</p> <p>Finally suggestions on the new process implementation to the company is discussed and suggestions given for further development of the knowledge transfer process.</p>	
Keywords	Outsourcing, customer service, knowledge transfer

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1 Introduction

Outsourcing customer service is complicated, as customer service is for most companies the only direct contact with their customers, and therefore reflects directly to the customer satisfaction. It is however seen as an easy solution for reducing the personnel costs of companies and thus improving their financial results. Unfortunately there are examples of outsourcing gone wrong and companies ending up bringing the service back in-house from the outsourced partner.

The case company has created an all-inclusive customer service solution that incorporates technical platform for the service and personnel resources needed. To make the transition easier the company wishes to have a process plan to help in the transition.

Therefore this study focuses on finding best practices in successful outsourcing processes, which the case company can utilize in their future outsourcing projects. This study aims to create a conceptual step-by-step process for outsourcing medium sized customer service from in-house to outsourced supplier.

1.1 Key Concepts

This study is about customer service outsourcing. The term is used in this study to describe transferring a company's customer service processes, including human resources issues and back office operations to an outsourced service provider. For the purposes of this study, customer service is limited to describing services that are not conducted face to face, that is to say emails, calls, letters and all back office duties related to the customer contacts.

Offshoring is a term used for outsourcing that is done in another country. Offshoring brings different features to the outsourcing process due to cultural and legislative and taxations issues; therefore offshoring will be excluded from the scope of this study.

Contact centers provide outsourced customer services to their clients. The tasks can be very varied and single customer contacts are generally speaking in intervals so that a contact center benefits from having several partners where the contact peaks (high volume of contacts) do not overlap.

Contact center measurements or key performance indicators KPI for short are mentioned during the study. Some of the KPIs include *service level or SLA*, which is a percentage of calls answered in the agreed timeframe, for example 80% of calls answered in one minute's time. *Average call time/ handling time* is the time it takes to finish one

contact. *Average wait time or Average queue time* is the time customer has to wait to get a response. Some contact centers also measure first contact resolution, which tells the percentage of the contacts solved during the first contact.

1.2 Case Company Background

The case company Nesenta was established in 2002 as a result of an extensive market research carried out with the help of Finnish Innovation Fund Sitra. The research goal was to study the outsourcing potential of different geographical locations in Finland. The focus areas of the research were education provided in the area and personnel resources available. Based on this research, Nesenta was established.

As the companies' services are not limited by their location, their contact centers for example are located in Kuhmo and Lieksa Northeast Finland and Jorvas, Kirkkonummi in Southern Finland. Since then they have constantly expanded their innovative service production platform based on the optimal balance of new technology and the skills of the personnel. One of Nesenta's strengths is that the company has a very low hierarchy that enables agility and also gives individual teams a great deal of influence. As Figure 1 showing the company structure indicates, all teams report directly to the CEO.

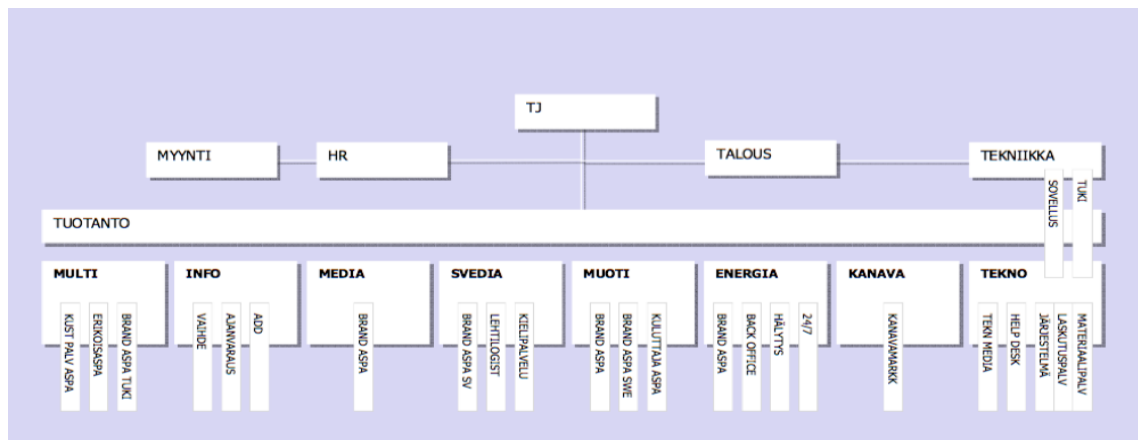


Figure 1 Case Company Structure

Nesenta is a contact center, where the outsourced customer service contacts are handled. They combine contact center knowhow, skilled people and technology. They focus on three customer service sectors: contact center services, sales and customer service performance research, and resource development. The company has a strong commitment to their customer's values and products. This creates a solid foundation for efficient outsourcing. Co-operation is always based on knowing the customer well

and combining optimal skills and the most innovative technology to suit their customers' needs.

1.3 Business Challenge

Nesenta has provided outsourced customer services for many years. Usually each project is tailored directly to suit the customer's needs. Recently, Nesenta has developed an all-inclusive customer service solution for their future customers. This solution includes service systems, implementation and resources for the service. The solution combines their key expertise areas of quality customer service provider and innovative technological solution for a service system. To get the full benefit from this solution, the company would like to get new customers from medium and small sized companies' customer services. These potential customer companies mainly have these services in-house and a project of outsourcing seems daunting as the outsourcing company might see it just as a long and overwhelming project. They might also lack the funds to pay for a consultant to help them with the outsourcing project.

1.4 Objective and Outcome

The objective of this thesis is to create a conceptual step-by-step process that can be used as a tool when implementing future outsourcing projects.

The goal is to locate the key elements of the outsourcing process, to document each step and describe some of the possible challenges related to each step. The purpose of the study is to provide a logical process to be used as a tool for future outsourcing projects.

The structure of this thesis is as follows; first the research method and sources for primary data is introduced. Then this study explores current research on successful outsourcing. In section four, the case project is described step-by step to find out the projects strengths and challenges. In section five, the challenges found in the case project are resolved by further consulting literature relevant to the challenges. In section six, the process plan is created in collaboration with the key stakeholders of the outsourcing supplier company. In section seven the process is introduced to Nesenta CEO and the validity and reliability of the study is discussed. Finally in conclusions, suggestions are given on how to implement the conceptual process plan to outsourcing supplier companies in future projects.

2 Method and Material

In this section, the choice for the research approach is described and the research process introduced. Then the study moves to the process of gathering the data and explaining its validity and reliability to this field of study.

2.1 Research Approach

The method used is a single case study. Case study is very popular as a research method, one of the reasons being that "it is one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research" (Eisenhart et.al 2007:25). As the study also relies on best practice data from literature in this study the use of the case project is an example of an outsourcing project and the study will aim to find process similarities and differences during analysis (Eisenhart et.al 2007). This study focuses on a single past outsourcing case and compares the process to that found in current outsourcing literature.

Like any other research method, case study is not without faults. According to Yin the biggest issue most case study researches face is their lack of rigor (Yin 2009). To avoid this, the researchers

should explain and show how you are devoting yourself to following a rigorous methodological path. The path begins with a thorough literary review and the careful and thoughtful posing of research question or objectives. Equally important will be a dedication to formal and explicit procedures when doing your research (Yin 2009).

To achieve these requirements, a logical research plan is followed in this study. Firstly, literature relevant to the case project is introduced and based on the findings interview questions that address the case project are created. In all phases, this study aims to look at the case project objectively and to document the research phase methodically. The structure this case study follows is such that first the literature is reviewed which then functions as a structure for the case project analysis. This is followed by further research on the challenges identified during the case analysis. Further, the literature and data collected through the interviews then function as a basis for building the process plan.

Qualitative analysis is used as the research method because the interviews will provide a large amount of rich data on the project to get an overview of the studied outsourcing project (Eisenhart et.al 2007). To have objective and comprehensive information on the project, 6 people from different positions in both outsourcing supplier company as well as the client company were chosen for the interviews. In the next subsection the research design is described and its phases introduced step-by step to give a clear view on what is done during this study.

2.2 Research Design

The research design is structured so that it begins with looking into current research on successful outsourcing, and then moving to the Current State Analysis by interviewing the case company on one of their outsourcing project. Process strengths and challenges are established during the interviews and they will be the further consulted from relevant literature. With information gathered from the previous stages, a step-by-step plan for the future projects is built.

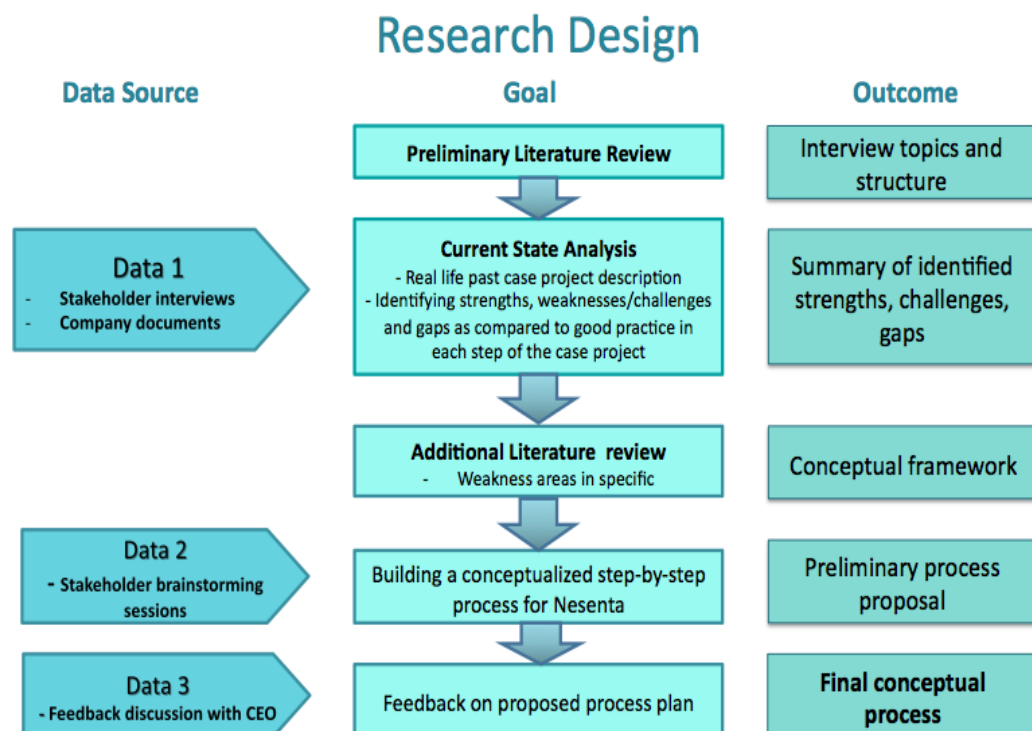


Figure 2 Research Design

Figure 2 shows the research design, on the left are the data sources for this study, in the middle the steps that will be done to meet the final objective and on the right, the outcome of each step, end result being the final conceptual process.

Preliminary literature and initial Conceptual Framework

In section two, recent studies on outsourcing processes are introduced to define the key elements of a successful outsourcing project. These elements are used to give a preliminary structure for the interviews. Valid interview questions are formed for the client company's and supplier company's key persons.

Current state Analysis- Case Project

This study receives its primary data from one case project. In this section the process of the case project is documented. Data collection for this study is conducted in three stages. Firstly interviews are done to collect primary data on the case project. "Interviews are highly efficient way to gather rich, empirical data, especially when the phenomenon of interest is highly episodic and infrequent"(Eisenhart et.al. 2007). The interviewees have been selected so that it will give a clear picture of the case project with several different points of views, so that the results will get enough objectivity. After finishing with the interviews, the interview data is analyzed and the study focuses on any challenges found in the current process.

Compiling final Conceptual Framework

During the case project documentation some elements are different from the initial Conceptual Framework and in section five additional researches are done on a customer service outsourcing process with a particular focus on resolving any challenges and gaps found in the current process. At the end of section five a final Conceptual Framework is introduced. This framework is then used as a basis for creating the process proposal.

Building Process Proposal

In section six based on the literature, case project findings and additional research with the focus on process gaps and challenges the proposal for the future conceptual process is created in collaboration with the key stakeholders of the supplier company. One-on-one brainstorming sessions are conducted with the outsourcing supplier ITC-

manager and HR manager to create an updated step-by-step process for their future outsourcing projects.

Process validation

When the step-by-step plan is finished and documented, it is taken to the supplier company CEO for validation. He then determines if the description of the project is accurate and if it is relevant to their business. With the help of the comments received from the CEO of the case company during validation, a final conceptual process is constructed and its implementation plan discussed.

Final Conceptual Process Plan

With the help of the comments received during validation, a final conceptual process is constructed and its implementation plan discussed.

This section described the research process in general. The next section focuses on the data collection of this study.

2.3 Data Collection and Analysis

The data collection was conducted in three phases. Firstly, interviews concerning the case outsourcing project were held, followed by brainstorming sessions with key stakeholders on the supplier company to capture their views on what the new process should look like if the challenges of the current process are taken into account. Finally after the plan was constructed with the company key stakeholders, it was presented to the supplier company CEO to obtain his comments and critique regarding the process. Table 1 shows the data collection of this study.

Data	Data Source	Data type	Analysis
Data 1	Company Documentation	Process descriptions, Company structure	Section 4
Data 1	Key Case project stakeholders	Interviews	Section 4
Data 2	Key Case project stakeholders	1-on-1 brainstorming sessions	Section 5
Data 3	CEO of Case Company stakeholders	1-on-1 discussion	Section 6

Table 1-Data Collection

Data 1 collection

As described in Table 1, data from the case company's past outsourcing project was gathered by conducting interviews with the outsourcing client company manager and other stakeholders relevant to the project to get an overall picture of how the project was conducted.

The interviewees were selected so that an overall description of the project would be described objectively and with enough detail to have a clear view of the current outsourcing process. To establish triangulation criteria the interviewees were selected from both companies and different levels in the organization to get an objective view of the execution of the project. All interviews were conducted during February and March 2016.

The first interviewee was the client company Co-owner, as he had been part of the project since the beginning. Then the ITC and HR manager of the service supplier company were interviewed, as their expertise is needed in all outsourcing projects. Then the supplier company CEO was interviewed. Also one of the customer service agents and the team leader currently taking the calls were interviewed to find out if they felt that the transition has given them enough tools to do their work well.

The descriptions of the interviews are collected into table 2. It shows the main topics of each interview, duration and time when the interview was held.

Data 1 collection	Date	Duration	Content
Interviewee 1- Co-Owner of the Client company	19.2.2016	23 minutes	Reasons for outsourcing, finding right partner, defining contract, service system
Interviewee 2-HR person	2.3.2016	43 minutes	Recruiting, training, team leader career path
Interviewee 3- ITC Manager	4.3.2016	28 minutes	Infrastructure, Reporting, firewalls, call-routing
Interviewee 4-CEO of outsourcing supplier	23.3.2016	42 minutes	New customer acquisition, contract negotiations, defining KPIs
Interviewee 5- Customer service agent	30.3.2016	21 minutes	Answering calls, customer service system, training, co-operation, KPIs,
Interviewee 6-Team Leader	31.3.2016	39 minutes	Answering calls, customer service system, training, co-operation, KPIs

Table 2 Interview topics

As the table 2 shows the questions were aimed to determine the course of the case outsourcing process. Firstly the aim was to find out from the client company owner why they decided to outsource their customer service, what kind of criteria they had for their future partner, how the contract negotiations were conducted and if they are satisfied with their decision to outsource. The HR manager was asked about the HR involvement in this new customer implementation process, how the service team was selected and how they participated in training. The next interviewee was the IT manager of the supplier company. He was asked to share his point of view on the implementation process with regard to the case project and in general. The fourth interviewee was the CEO of the supplier company. Because he is the one who has been involved in the project since the offer tender phase, he is in the best position to describe how the outsourcing company became their client and how the agreement negotiations were conducted. During the interviews of the supplier key stakeholders they were asked about ideas for improving their own process, in particular what they feel might ensure a smooth implementation plan. Finally the team that currently taking the client company calls was interviewed. They were asked about their training and if they feel they have had sufficient amount of information to successfully respond to customer calls, or if they feel that something could be improved in the training or in the current service process.

Having multiple interviewees from different phases of the project should provide a realistic overview of how the project was executed. Also this should reduce bias concerning interviews as a research method. "The challenge of interview data is best mitigated by data collection approach that limits bias. A key approach is using numerous and highly knowledgeable informants who view the focal phenomenon from different perspectives." (Eisenhart et.al. 2007). The interviews were written into field notes and then verified by the stakeholders to ensure the responses of the interviews were accurately documented. The data analysis for this study was done by using **Pattern Matching-logic** (Yin 2009). The aim was to compare current research on successful outsourcing projects to the case project and find similarities between their structures.

Data 2 Collection

Based on the findings an improved structure of the outsourcing plan is created in collaboration with key stakeholders of the company in 1-on-1 brainstorming sessions. Data 2 is gathered from these sessions with the outsourcing supplier IT manager and

HR manager to create an updated step-by-step plan for the company's future outsourcing projects. Table 3 shows the data 2 collection which is the building of the preliminary proposal.

Data 2 collection	date	Topics discussed
Initial improvement Ideas with the HR manager	2.3.2016	Continuous development, Career Path for team leaders
Initial improvement Ideas with the IT manager	4.3.2016	Start-up meeting, IT involvement from the start
Brainstorming on the topics HR	14.4.2016	HR task lists in different phases of outsourcing process
Brainstorming on the topics IT	20.4.2016	IT task list in different phases of outsourcing process

Table 3 Data 2 Collection

The aim is to recognize separate tasks in different phases of the outsourcing project, particularly from the HR and IT points of view. The important findings from this phase was the importance on sharing knowledge in the beginning of the project, solution that came up in the discussions with the IT-manager, was that the start-up meeting would include all parties vital to the project success. HR-manager highlighted the importance on continuous learning and career path model for future team leaders.

Data 3 collection

The validation process was done with the company CEO as he is the person who eventually needs to approve all process changes in the organization. The process plan is discussed, to get his opinion and suggestions before finalizing the plan. Figure 2 shows the validation process.

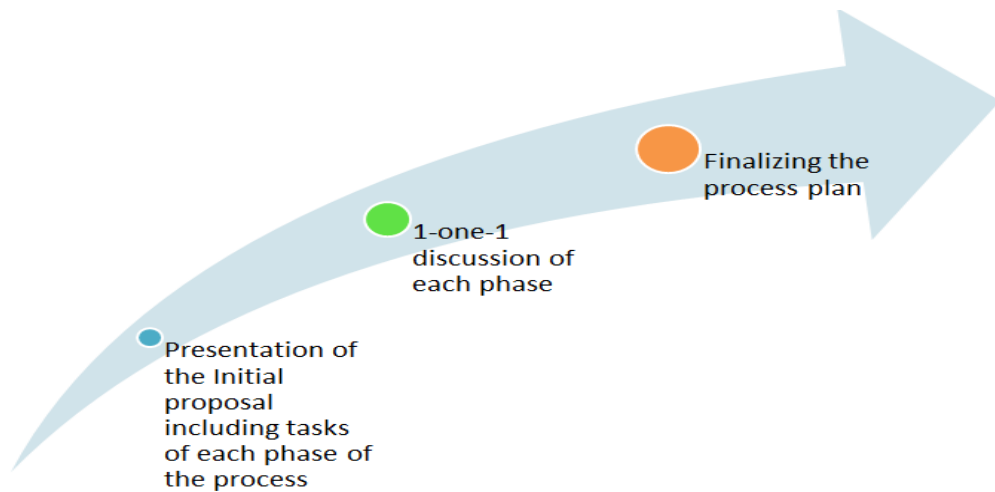


Figure 3 – Validation Process

The Figure 3 shows the course of the validation process. First the CEO received the initial process plan, and ideas for tasks to be executed in each step to get his opinion and suggestions before finalizing the plan. Then the plan was discussed in detail, going through each step of the proposed plan. Finally all ideas and comments were carefully considered and the plan was modified accordingly.

This section described the data collection. The next section focuses on the validity and reliability plan for the study.

2.4 Validity and Reliability Plan

During the study the validity and the reliability needs to be taken into consideration. There are several different methods for doing this, but below are listed only the ones relevant to this study.

Triangulation

Triangulation is a process of making sure that the point of view reflected in the interviews is objective enough for the purpose of this case study. The interviewees are selected so that several different points of views on the outsourcing case would surface. This should confirm that the data collected is both objective and valid for the purpose of this study. The interviewees' background is documented on the field notes so that their level of expertise on this case project is validated.

Validity and Reliability

When measuring validity there are three different points of views to consider; construct validity, internal validity and External validity. Construct validity can be established according to Yin, as follows;

1. *define (...)the change in terms of specific concepts (and relate them to the original objectives of the study and*
2. *Identify operational measures that match the concepts (preferably citing published studies to make the same matches).*
(Yin 2009)

The key concepts of this study have already been specified and preliminary data will be combined with published studies on the subject to establish construct validity.

Internal validity is not that relevant to this study as we are not measuring the success of the project, only documenting it. More relevant areas are in external validity and reliability and research bias.

External Validity needs to be considered, as the result of this study is supposed to be a generalization on an outsourcing process. According to Yin, the problem with single case studies usually is knowing whether the findings can be generalizable beyond the immediate case study (Yin 2009). All the findings in preliminary data will be supported or contradicted by literature in sections three and five, so although the study is focused only on a single case, the basis for generalization will become evident with the support of established studies. According to Yin "it is true that one case alone cannot give a broad view or describe all scenarios possible but it has its merits as an example." (Yin 2009)

Reliability, as Yin describes it, can be established by determining whether a later investigator would arrive at the same findings and conclusions if they followed the same procedure (Yin 2009). The process of this study is documented meticulously in order to give an objective and complete look on the case project so if the same procedure was follow by another investigator, they should arrive to the same results.

This section dealt with the structure of the study. The methods that are used during this study have been established. The grounding why these particular methods have been chosen for this study was clarified. The credibility of future findings is supported by introducing a validity and reliability plan. The next section focuses on compiling a

preliminary structure from literature, which is then utilized to construct the interview questions.

This section introduced the case company, research plan and data collection of this study. Also the validity and reliability plan was described. The next section focuses on creating a Conceptual Framework for the outsourcing process with the help of current literature.

3 Preliminary Structure for Outsourcing

The previous section discussed the structure of this study. In this section some studies on strategic outsourcing and elements in common for successful outsourcing processes are introduced.

3.1 Reliability of the Sources

There is a large amount of research done on outsourcing. For this study, an extensive research was done through different theoretical articles and books related to customer service outsourcing, but for the Conceptual Framework of this study only a selected few key researches were chosen. These particular researches were chosen as they provided a comprehensive view of primary data collected from companies that have done outsourcing.

The research material chosen for this Thesis included the Quinn and Hilmer study on strategic outsourcing, Aron and Singh's study on risks related to outsourcing and Elmuti's and Barthélemy's comprehensive studies on successful outsourcing. Elmuti's study on outsourcing consists of 1500 questionnaires randomly distributed to companies representing different industries. He got 402 responses and his study is based on them (Elmuti 2003:35). Barthélemy did a study on an in-depth analysis of 91 outsourcing efforts carried out in European and North American companies. His data was mainly collected through face-to-face interviews and detailed questionnaires. Both Elmuti's and Barthélemy's studies are used as a basis for defining the key elements of successful outsourcing.

3.2 Strategic Outsourcing

When a company begins to consider outsourcing their customer service, there can be several reasons for doing so. Quinn and Hilmer have conducted a study on strategic outsourcing where they conclude what benefits can be obtained if a company decides to outsource strategically. The list four important factors to consider:

- *Maximize returns on internal resources
 - *Focus on companies core competencies
 - *Full utilization of external suppliers' investments, innovations, and specialized professional capabilities
 - *Joint strategy decreases risks, shortens cycle times, lowers investments, and creates better responsiveness to customer needs.
- (Quinn et.al. 1994)

According to Quinn and Hilmer, the benefits of outsourcing lie in better use of company's own resources available. Focusing on core competencies gives the company an edge on a highly competitive market. They also conclude that in order to maximize the benefits of outsourcing the company should utilize external supplier's resources such as investments, personnel resources and technology, to the fullest. The company considering outsourcing and finding a partner should look for competencies, which would benefit their own business. This kind of joint strategy will decrease risks in a rapidly changing environment and also provides the customers with better service due to fast service development in joint operational environment.

Similarly Elmuti's research has discovered some of the main reasons companies choose to do outsourcing. They are listed according to their ranking in following Table 4.

Reasons for Outsourcing

Rank	Factor	Number of Respondents n = 300
1	Reduce cost	95
2	Improve quality	86
3	Improve delivery and reliability	75
4	Uses resources that are not available internally (e.g.inability to hire employees) or access to new technology	70
5	Gain access to materials only available abroad	62
6	Establish a presence in a foreign market	58
7	Maintain sufficient flexibility to respond to market conditions	52
8	Reduce the overall amount of specialized skill and knowledge needed	41
9	Make capital funds available for more profitable operations	40
10	Focus on core competencies	32

Table 4-Reasons for Outsourcing

(Elmuti 2003: 36)

What Elmuti discovered was that the most common reasons for outsourcing were; reducing costs, improving quality, improving delivery and reliability and need for resources or competence that the company does currently not have available. Although cost reduction seems to be still the main reason for outsourcing, but as the table above illustrates there are a lot of companies that outsource for other reasons. The reasons for outsourcing define the choice of outsourcing partner; finding a good fit is more important to the success of outsourcing than choosing the most inexpensive pricing. There are however risks involved when outsourcing. Aron and Singh have studied the risks related to outsourcing. They have divided the risks into two categories; operational and structural risks. *Operational risk* means that outsourcing provider cannot do the work as well as the process was done in-house. Client companies should realize that takes time to learn the products and processes of the client company. The operational risk can be lowered with the company's "ability to *codify* work. When companies document the work that employees do, describe the different situations they face, and

stipulate what employee's responses should be in each scenario, people anywhere in the world can do the job for them" (Aron et.al. 2005). *Structural risks* arrive when client assumes that the service supplier always wants to maximize also their clients' interests, but if suppliers' and clients' interests are at odds, supplier does most likely what benefits their company the most (Aron et.al.2005). Aron and Singh claim that to minimize the risks involved in outsourcing the companies should define the quality of service they need so that it does not affect their customer relationship negatively. What they mean is that it is important to define the key measurements so that the processes can be monitored properly after implementation so that the quality of the service provided is easily quantified. Equally important is to have the tools for doing this in real time so that should any issues arise they can be tackled as soon as possible. (Aron et.al 2005)

In this section some elements of strategic outsourcing were described. Firstly the focus was on core competencies, acquiring competitive edge by selecting the strategically right partner who possesses resources from which the client company could benefit. Then some risks involved in outsourcing were discussed, such as structural and operational risks. The next section focuses on researches done on successful outsourcing and describes common elements found in successful outsourcing processes in detail.

3.3 Successful Outsourcing

In the previous section reasons for strategic outsourcing were discussed from Elmuti's and Quinn and Hilmer's research and elements to reduce the risk of outsourcing from Aron and Singh's research.

In this section Elmuti's and Barthélemy's research is used as a basis for constructing a preliminary structure for successful outsourcing. According to Elmuti's research the following factors listed according to their ranking (Table 5) are incremental elements in a successful outsourcing project.

**Factors Affecting Sourcing Project Success
in Successful Organizations**

Rank	Mean	STD.	Factors
1	4.60	1.48	Clear objectives and expectations of out-sourcing activities
2	4.20	1.40	Choice of the right outsourcing partners
3	3.95	1.32	Adequate skills to negotiate a sound contract
4	3.80	1.38	Adequate planning during all various phases of outsourcing
5	3.75	1.41	Effective organizational communication
6	3.70	1.22	Well coordinated effort among cross-functional areas
7	3.20	1.31	High and effective support and involvement by top management
8	2.88	1.41	Effective use of performance incentives and penalties
9	2.70	1.32	Getting the right people involved
10	2.40	1.38	Adequate supporting infrastructures
11	2.30	1.28	High moral and performance of the remaining employees
12	2.25	1.34	Emphasis on short and long-term benefits
13	2.20	1.52	Adequate and objective performance criteria and feedback
14	2.15	1.44	Flexibility in anticipating change

Table 5- Factors in successful outsourcing Projects

(Elmuti 2003 :38)

In this table 5 Elmuti has listed 14 top factors rated for successful outsourcing project. Elmuti has highlighted the importance of clear objectives and expectations, which could be described as the scope of outsourcing. Other important factors are choosing the right partner, which came also apparent in previous section on strategic outsourcing. Also number 12 on the list is short-and long-term benefits, which should be considered while doing the partner selection. Third on the list is negotiating a good contract. Other elements on the list support the value of a contract such as adequate performance criteria and anticipating change. Communication and cross-functional processes need to be considered both during project as well as throughout the partnership. Management and HR involvement are a crucial part of leading the process suc-

cessfully forward. Finally infrastructure needs to support the service and in every step there has to be adequate planning.

Similar elements emerge in Barthélemy's list on risks of outsourcing. The list of risks involved from Barthélemy's research is as follows:

(1) outsourcing activities that should not be outsourced; (2) selecting the wrong vendor; (3) writing a poor contract; (4) overlooking personnel issues; (5) losing control over the outsourced activity; (6) overlooking the hidden costs of outsourcing; and (7) failing to plan an exit strategy (i.e., vendor switch or reintegration of an outsourced activity)
(Barthélemy 2003:87)

So both Barthélemy and Elmuti agree that the scope of the outsourcing should be carefully considered. There are risks involved if wrong activities are outsourced. Same thing applies if too much of the process is outsourced (Barthélemy 2003). Same risk also appeared in section 3.2, when strategic risks were discussed and they too should be considered when deciding on the scope of the outsourcing.

Barthélemy and Elmuti highlight partner selection as vital part of the outsourcing process. If outsourcing is considered as a strategic part of business, the technology, resources and investments the potential partner can provide, could benefit the outsourcee's core business.

If partners do not invest time in defining good contract that combines flexibility for both of their businesses to grow and develop, the agreement needs to be renegotiated soon. Elmuti also highlights the importance of defining clear objectives and expectations for the outsourcing.

Human resource issues are also important according to both Elmuti's and Barthélemy's research. Elmuti states it is important to have the right people involved both in project team as well as doing the outsourced service. Elmuti also lists maintaining high moral and performance as important factors of success.

According to Elmuti technology infrastructure is an important part of outsourcing as it controls information flow, service systems and customer contact systems. It allows the smooth transfer of knowledge in cross-functional processes, and enables real time reporting. In a contact center environment, which is dedicated for outsourced services, technology is a vital part of the business and also if high end, provides a competitive edge for the company.

The follow up phase begins when the processes have been transferred to the outsourcing supplier. Barthélemy emphasizes that there are high risks involved if a client company loses control over the outsourced activity. Therefore monitoring the outsourced activity is vital to its success. Barthélemy states the importance of including an exit plan to the contract, in case the outsourcing turns out to be unsuccessful.

Therefore what Barthélemy and Elmuti have as common elements for successful outsourcing processes are 1. Correct **scope of the outsourcing**, 2. Choosing **the right partner** 3. Defining a **good contract** 5. Taking **human resources** into account and 6. Constant **communication and collaboration** throughout the process. 7. **Technology** and 8. **Follow-up**. Managerial support which Elmuti mentions in his research is vital part in each step of the process, but it is discussed mostly in section on HR.

In the following subsections the key elements are listed and some concrete examples are given on each to describe the basic flow of outsourcing.

3.3.1 The Scope of Outsourcing

When doing the preliminary analysis for outsourcing, there are several things to consider. As the Aron and Singh research shows, there are high risks involved if a company outsources the wrong processes. The process needs to be documented precisely so that it can be outsourced. In some processes, outsourcing is just not a feasible option, for example if a process heavily relies on tacit knowledge, which is not easily "**codable**", as Aron and Singh describe it. In such cases it might be a better option to keep that part of the customer service process in-house, as it would require a lot of effort transferring the knowledge and keeping it updated. Therefore outsourcing processes that are not essential to the core business and are relatively easily instructed to suppliers are feasible option for outsourcing. This allows the company to focus their own resources on developing their core competencies (Aron et.al. 2005).

Hammer talks about choosing the "intercompany process that offers the greatest opportunity for improving your overall business performance" (Hammer 2001: 90). The company should focus on their core business and outsource processes that can be done better elsewhere. When you have defined the scope of your outsourcing you can use this information to find a suitable partner. This way both partners benefit from the collaboration.

Barhélemy warns about **outsourcing too much** of the processes and enough knowledge is not kept in-house, in few years the supplier owns the process. To avoid

this there should always be sufficient amount of information on the process retained in-house, so that if the worst happens and there is a need to change the service supplier, the company will be able to do so (Barthélemy 2003).

3.3.2 Choosing the right partner

For outsourcing to be beneficial to both parties the client and outsource supplier companies' businesses must match, so selecting the right partner is crucial for the success of the project. If we look at Elmuti's list on reasons for outsourcing in Table 1, the top four reasons for outsourcing, although cost efficiency is still on the top, there are other important strategic reasons for outsourcing, and these elements can be affected by choosing the right partner.

Delivery & reliability such as availability of right kind of service personnel could result into outsourcing. **Quality** of service is connected to the delivery and reliability as if there are enough resources available; the quality of the service improves. Also the outsourcing supplier provides service specialists to respond to the customer contacts and therefore might result in better service quality. **Resources** such as specific technology may be a good motivator for outsourcing as licensing and hardware is relatively expensive the benefits of acquiring a partner with the right tools provides significant cost savings.

To determine what kind of outsourcing supplier is needed, it is important to understand the company's service needs. For example if the service requirements are highly seasonal, so that it takes two people to handle all customer contacts during the summer, and eight people during the winter, it is reasonable to claim that outsourcing part of the customer service might be viable option to the company. Another reason might be that the business is expanding and there are currently not sufficient amount skilled customer service personnel in-house, outsourcing might be an option instead of recruiting and training new people. One more reason for outsourcing could be that the company is lacking the technology needed for handling their customer service and outsourcing might provide them with the right tools for their customer data.

Furthermore in order to have a good working relationship with the outsourcing supplier, the companies must share **similar values**. Barthélemy discusses the importance of hard and soft qualifications for outsourcing partner as follows:

- *Hard qualifications are tangible and can be easily verified by due diligence. They refer to the ability of vendors to provide low-cost and state-of-the-art solutions. Important criteria also include business experience and financial strength.*
- *Soft qualifications are attitudinal. They may be non-verifiable and may change depending on circumstances. Important soft criteria include a good cultural fit, a commitment to continuous improvement, flexibility, and a commitment to develop long-term relationships. Trustworthiness is an important soft criterion.* (Barthélemy 2005:89)

What Barthélemy is saying is that it is not only about due diligence but also companies' values need to be similar and there has to be trust between the partners. Optimally the partner provides company with flexibility and continuous process improvement and in that way contributes to the outsourcing company's competitiveness. With all this work done to find the suitable partner, still sometimes the goals of the supplier and customer company do not meet, so it is vital to have all the important elements of the service defined in a contract.

3.3.3 Defining Contract

Elimuti's list in Table 3 mentions **adequate skills to negotiate a sound contract** as third most important reason for a successful outsourcing. Although much time and effort has been used for finding a suitable partner for outsourcing and there is mutual trust, having everything defined in a contract clears any need for interpretation later on. "A good contract is essential to outsourcing success because the contract helps establish a balance of power between the client and the vendor" Barthélemy 2003:90. The contract must be flexible enough so that there is no need to renegotiate every year as the business evolves.

There will be situations when the outsourcing supplier companies and client companies' priorities do not meet. In order to make sure that this does not affect the quality of the service it is important to define the **goals and** minimum **requirement** in the agreement. It is equally important to follow up on these quality requirements, by **monitoring** the service continually. To support this, outsourcing company might benefit from defining **incentives and penalty** clauses in the agreement. This way it is in both parties interest in the long run to maintain the quality level that was originally agreed upon. Balancing with **flexibility and control** is contractual issue that a lot of companies struggle with. Finally to assure that the clients business will not suffer from making

potentially a wrong choice of partners, it is important to have an **exit strategy** and not to tie the company to a contract you are not able to get out of.

3.3.1 Human Resources

Human resources play an important role in every phase of an outsourcing process. Firstly they are needed to determine what kind of resources is needed in **the project team** to get an outsourcing project successfully through. Secondly HR decides what kind of **people will be recruited** for the new service. Thirdly as all restructuring is going on, they need to convey the **management support and keep up good morals** in the company during the process. It is important to recognize the **key employees** and have them remain motivated during the outsourcing process and, specifically the company must identify the employees who possess this firm-specific knowledge. Also the management should be prepared to offer higher salaries and benefits to them to keep them in house (Barthélemy 2003). Barthélemy states that

Retention of knowledge and skills is a key issue. Irrespective of the profile of the service provider, the actual work is done by individuals harnessing their skills, knowledge, experience, and the technology available to them. If high staff turnover is experienced, then the quality of the work will deteriorate noticeably, particularly in specialist technical areas and analytical work. (Barthélemy 2003: 91)

What Barthélemy is saying is that for the quality of the service, it is vital that information is not lost due to loss of experienced team members. That is why it is important to establish the key employees and make sure they remain in service all through the transition phase. After transition phase HR plays an important role in retaining customer service personnel, as each skilled worker lost from the team, will result also in loss of knowledge and therefore worsening quality of service.

Aron and Singh similarly talk about operational risk in section 3.2, which means that it takes some time for the new service team to learn the client's service and products. This needs to be considered when planning service outsourcing.

3.3.2 Communication and collaboration

Communication is important throughout the whole process. To have the same idea on what is expected from the service, both in metrics and in values, it is important that the partners speak the same language. Hammer's second principle in implementation is

"communicate relentlessly". This key element of change management applies also here, during structural changes in the company, it is always better to communicate too much than too little.

According to Grönroos and Helle supplier's role is not only to deliver resources, but they should also "support their client's performance by aligning their resources, competencies and processes with the clients" (Grönroos et.al. p.347).

When the decision for outsourcing has been made, the day-to-day operations need to be changed to accommodate the new service supplier. Hammer lists things to consider when redesigning operations to include outsourced partner:

- 1. The final customer comes first*
 - 2. Entire process should be designed as a unit*
 - 3. No activity should be performed more than once*
 - 4. Work should be done by whoever is in the best position to do it*
 - 5. The entire process should operate in one database.*
- (Hammer 2001: 90-91)*

To have day-to-day activities running smoothly it is important that efficient channels of communication have been agreed upon.

If some of the service functions are produced partly by the outsourcing supplier, partly in-house it is vital to have clear rules on information flow in these **cross-functional areas**. Current technology helps in this respect, as there are multiple ways of storing and transferring information between different business units. Next section we will look into the technological elements of outsourcing.

3.3.3 Technology

As already noted in the previous sections, customer service is a very technical business. Acquiring suitable technology in-house might prove expensive. As listed in Elmuti's table for reasons for outsourcing in 3.2 this might be one good reason to consider outsourcing to a service supplier where **the infrastructure** is readily available. Apart from the work itself (telephones, email, chat, internet landing pages etc.) there is also reporting and customer data management to consider.

If the service provided is more complex, a system that enables customer information transfer smoothly from one unit to another is needed. Technology not only enables data transference between the outsourcing client and service supplier but also between

units that are located in different geographical areas. This means that technology frees the service from locational limitations.

Reporting is an essential tool in outsourcing. Without measurable targets it is impossible to determine if outsourcing has been successful or not. It is vital that measurements are tracked on timely fashion, as the customer satisfaction is directly comparable to good quality customer service.

3.3.4 Follow-up

The process of finding the right partner can be very costly and time consuming, so it is important to make sure that agreements are drawn in such a way that both parties benefit from the collaboration. After the implementation the client can monitor the outsourced service by following daily and monthly reporting and it is also advisable to plan weekly and monthly follow-up meetings with the supplier. If the customer contact volume is high, the supplier would benefit if the client were to produce contact forecasting according to their contact history data.

It is important to keep some of the service knowledge in-house. By outsourcing the entire process and not monitoring its continuous development, the client loses control over their own process. Barthélemy states:

For an outsourcing client, it is particularly important to avoid losing control over an outsourced activity. Such a loss of control has two distinct origins. First, the client may not have the capabilities to manage the vendor. Second, the client may not actively manage the vendor." When an activity is outsourced, it is crucial to retain a small group of managers to handle the vendor. These managers must be able to develop the strategy of the outsourced activity and keep it in alignment with the overall corporate strategy
(Barthélemy 2003)

Vendor management differs in many aspects from running operations inside the company. The elements that were agreed upon during the contract definition need to be monitored so that the quality of the service remained on the agreed level. Also it is important not all knowledge is outsourced, sometimes the change of supplier is required, so it vital that information it also retained inside the client company as well.

3.4 Conceptual Framework from literature

This section began with Quinn and Hilmer's research on strategic outsourcing. What was discovered was that the strategy chosen determines most of the decisions that follow: what to look for in a partner and what kind of capabilities could be acquired with the partnership. Then Aron and Singh's theory on the risks involved in outsourcing was explained. Next Elmuti's key reasons for outsourcing were introduced. They include reasons such as reducing costs, improving quality, improving delivery and reliability and need for resources or competence that the company does currently not have available. Barthélemy and Elmuti's researches revealed common reasons for successful outsourcing process. Based on these key elements, a conceptual framework for successful outsourcing process is constructed.

These key elements in figure 4 include defining the scope of outsourcing, choosing the right partner, negotiating a good contract, communication and collaboration, personnel and technology and follow-up on the service. In addition to the structure made originally from Barthélemy's and Elmuti's lists, transferring and planning for day-to-day operations is also included from Hammer's study to the Conceptual Framework.

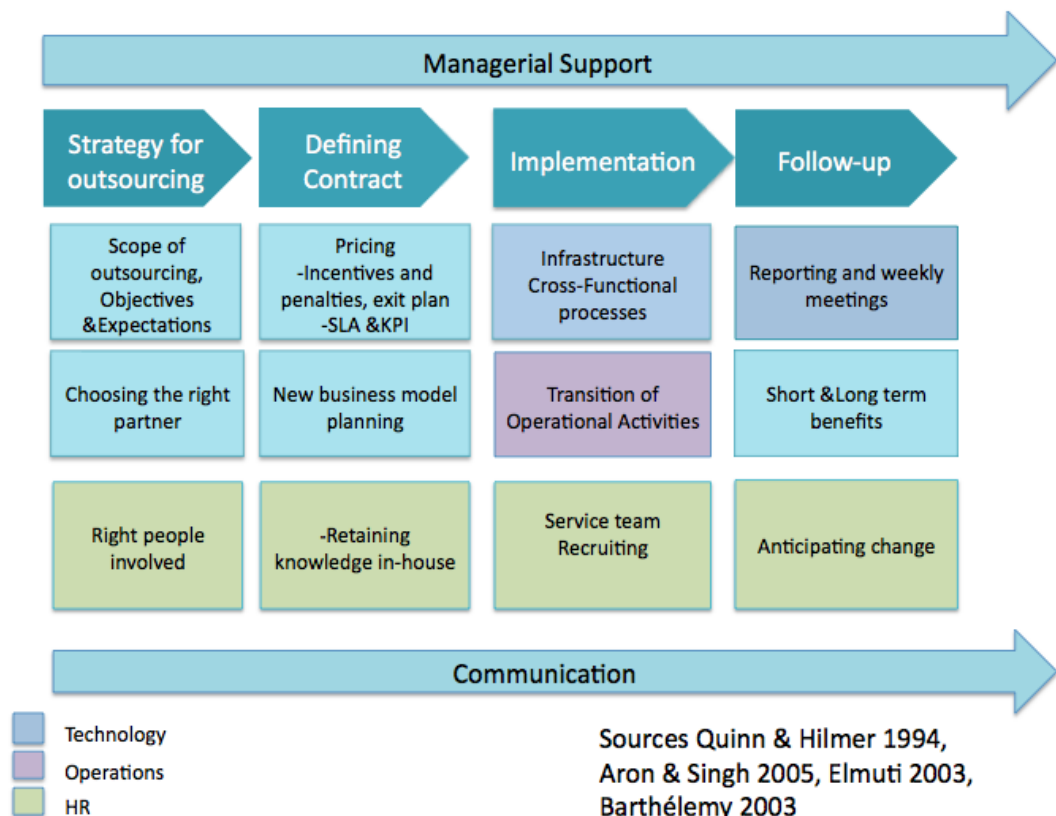


Figure 4-Preliminary Conceptual Framework

Firstly Strategy of the outsourcing needs to be defined. The scope is determined by is the process is part of the company's core competencies or not. Then codability of the work needs to be considered. Finally there must be some knowledge left in-house, as vendor management without knowledge of the work is difficult and exiting the agreement becomes difficult. In partner selection thing to consider are quality of the service, resources needed and similar value structure with the service supplier.

Next phase is defining the contract. The objectives and expectations need to be defined clearly. If needed the can be emphasized in the contract by implementing incentive and penalty clauses. Finally exit strategy is useful to have, in case the collaboration with the supplier is not working.

In implementation and follow-up phases the importance of human resource management, communication and technology has all a significant role in in the success of the outsourcing project. Human resource elements to be considers include selecting right resources for the project and for the service team. The company doing the outsourcing needs to make sure the key employees remain for the duration of the implementation, as that is vital to the retaining of knowledge. Alter implementation the supplier company needs to learn the new service and make sure that the service team receives enough support so that staff turnover remains at a reasonable level.

Communication between both companies during the transfer of the service as well as collaboration after implementation is important. Cross-functional processes need to be running smoothly and sharing of knowledge needs to be unobstructed between two companies.

Outsourcing services required a lot of technology as information flow between the two companies need some form of transportation. Service system enables the outsourcing supplier to serve the client company customers. Finally reporting makes it possible for the client to monitor the quality of the service.

This section dealt with constructing a conceptual base for a successful outsourcing process. In the next section the case project is introduced and its process steps are described in detail with the help of data gathered from the interviews with the supplier and client company stakeholders.

4 Case Outsourcing Project

The case project has been selected as an example to illustrate in a concrete way the elements of the outsourcing process. To determine the steps of the case project, the people interviewed were the outsourcing client company co-owner, supplier HR manager, IT manager and CEO. Also the people currently taking the customer service calls were interviewed to get a clear view on how the service is currently running and what kind of preparations were made to achieve that. First the process of outsourcing is described by introducing the case project. Then the results of the interviews are introduced and finally data gathered during the interviews is analyzed.

4.1 Data Collection

Data for this section was collected by one-on-one interviews with key stakeholders of the project and the service team currently taking the calls. All interviewees were given the main questions beforehand by email before each interview. Each interview began with an explanation of the questions and a time approximation for the interview. If the given answers were too general or vague in nature, additional questions were asked to provide a sufficiently detailed description of the topic.

Defining the right interview questions was difficult, as questions are not supposed to influence the interviewee's responses. Balancing between objectivity and the need to get answers from all areas of the process was challenging. The language of the interviews was Finnish. All interviews were then translated into English and sent back to each interviewee for verification. These translated field notes can be found in appendix of this study.

4.2 The Outsourcing Case Project

The implementation took place already in 2011, so both historical data from the outsourcing as well as current data from the customer service team taking the calls for the client company were collected.

This project started with the client company's actual need for an outsourcing partner. They had grown in such a pace that they either needed to recruit people to answer the calls in-house or they needed to find the extra resources elsewhere. They decided on

outsourcing, as they felt it would give them more flexibility and they would not have to worry about vacations or sickness leave as the outsourcing supplier would be responsible for providing the necessary resources regardless of the situation.

After a round of benchmarking of suitable partners the client company selected a few potential suppliers to go further with the negotiations. Nesenta was contacted and preliminary negotiations begun with a meeting of the client company co-owner and supplier company CEO. They felt that there is potential for a partnership so the client was invited to a start-up meeting at the supplier company premises. In this meeting only the team leader and CEO were present from the supplier company. They discussed the service, how the client would like the calls to be answered, and how documentation should be done to the client's customer service system.

After the meeting there was a long discussion at the supplier company to determine if it was even possible to take these calls, as the service seemed quite complicated. After they had reached the decision that calls can be taken, the team leader contacted the HR manager and IT to move forward with the case project outsourcing. After discussing the resources the team leader and HR manager decided to use in-house resources for the team, which meant that no new recruiting was required.

Similarly, the IT department received basic information from the team leader and as the project moved forward. As the team would be using the client's customer service system, there was no rush with the implementation. The only surprise was that the client wanted separate numbers for each local agency, so the call system generation took longer than expected. Reporting is quite simple as the client had no specific demands in that regard.

As the team was already customer service professionals, the client company provided only the training needed. The training was done in two stages, firstly the team was introduced how to operate the customer service system and shown the maintenance process from a video and explained what to do with an average call. After a few weeks of taking the calls, and sending more difficult cases to the main office, the team got additional training for the service. At a later stage some quality issues were discovered and they were resolved with the help of a consultant. All interviewees state that overall collaboration has been good.

The next subsections describe the outsourcing case project. The sections follow the same structure as the Conceptual Framework from literature.

4.2.1 The Scope of Outsourcing

As discussed in section 3.2.1 scope of outsourcing should only include processes that are not client company's core processes. There are also high risks involved if the company decides to outsource too much or a process that is not sufficiently codable. Interviewee 1 describes their scope of outsourcing as follows:

Customer service is taking in calls that include service request orders and maintenance team schedule modifications. Basically all calls that can be answered by the data in our system provides, were outsourced. Some additional services and tailored agreements are still handled by in-house team, as the system doesn't provide support for having the additional services added to the order confirmations and service quote calculations, so those are still done by our own back office team. (Interview 1)

This response explains that client company considered the codability of their processes and only processes where information was transferrable through their service system were outsourced. The response indicates that the system has an important role in transferring information between the client company and outsourced team.

He also mentioned that tailored solutions would probably always remain in-house, because the knowledge required to do them is only is not currently included in the customer service system. Therefore the in-house team handles bigger and more complex cases, which cannot be resolved by the outsourced team. Interviewee 5 talks about the service as follows:

We can do all basic maintenance request scheduling and offers for apartment buildings, but all houses that are bigger than 500 square meters go for the main office for service offer calculation. (Interview 5)

As discussed in chapter 3.3.1, transferring knowledge that is not documented well enough can be very difficult to outsource so the decision to keeping that part of the process in-house is probably wise. In this case, client company decided to outsource only processes that were codable and were easily documented in the service system.

4.2.2 Choosing the Right Partner

Section 3.2.2 discussed the importance of choosing the right partners. The most important elements discovered were cost, resources, reliability and quality. Interviewee 1 explained what they had looked for in a partner:

We decided to outsource because we knew that then we don't have to worry about resources during vacations or sickness leaves. We looked for a partner that was reliable, with similar values... We didn't feel that a traditional telemarketing company would be suited for our service needs. We also needed to take the cost of the service into consideration.

(Interview 1)

The client company lists here reasons for their partner's selection. They had considered the availability of personnel resources, the flexibility outsourcing offers during sickness leaves and vacations. The company also considered cost efficiency and value structure when making their decision for a partner. The quality element of the service is referred to by commenting on "traditional telemarketing company". Therefore similar elements were discovered in literature as well as during this case project outsourcing.

One element mentioned in literature was similar values of the client and supplier company. There was a long discussion about the partner selection with interviewee number 4. He explained that why in this case their company was selected.

Company representatives came over and we had a good discussion. They called me shortly after. They had decided to choose us because they felt that there was a good vibe in our office.

(Interview 4)

He said that the responses they get from their partners are usually very similar; they select Nesenta because of the good feeling they get, when they enter the premises. Good feeling tells about the atmosphere in the company, which also reflects of company values.

4.2.3 Defining Contract

The important elements that came up in section 3.2.3 researches were goals, minimum requirements, incentives, penalties, monitoring and exit strategy. The fourth interviewee describes the contract defining in the case project as follows:

It is completely different situation if you are negotiating with a company that already has experience in outsourcing then with a company that

does it for the first time. First time outsourcees do not know anything about key performance indicators or service levels, so we actually have to suggest adding them to the contract as it will make to monitoring of the service quality easier
(Interview 4)

Outsourcing customer service needs more detailed monitoring than having the service done in-house. To help this process it is important that the client company and supplier agree on measurements and pricing in the contract, so later on there will not be surprises.

Creating the reporting to monitor the measurements defined in the contract and having all systems functioning together requires IT involvement from the start, as Interview 3 says:

During tender phase technology is often missing from requirements, but it is very important to have all technical elements defined and priced in the contract. It is difficult to give a quote if we don't know what kind of CRM system or communication channels will be used, do we have the technology in-house or do we need to buy it outside.
(Interview 3)

For transferring technical information from one company to another it is vital to the success of the outsourcing to have also the technology team involved early on in the project.

Barthélemy also includes exit strategy as an important element of the outsourcing process. When asked about an exit plan, Interviewee 4 said:

The contract is continuous but with only three months termination period, so there is no need for specific exit clauses. We have no need to ask clients to sign for fixed long period because we have defined our pricing at a durable level.
(Interview 4)

In this case exit clause was not needed, as the termination period of the contract is so short. It reflects more flexible and relaxed collaboration, which is more common in a mature partnership or smaller scale outsourcing. Durable pricing here refers to that tactics used by some companies where the first couple of years of the agreement are offered very cheap but pricing will go up dramatically afterwards and agreement has no exit clause that would enable the client to change supplier without extra cost.

4.2.4 Human Resources

In section 3.3.4 the elements related to HR were key persons, managements support and training. Key persons are important in different phases of the process. To retain knowledge during implementation period, operating as part of the project and service teams. In the case project situation the HR got information about the new outsourcing partner second hand from the team leader. About the resources the HR manager explained that:

The client company did not have any specific requirements for the team members, so we were given free hands to select suitable agents for the new service. (Interview 2)

Interviewee 4 stated that initially the client company had thought that the people taking the calls should be male, as it is a maintenance company and the caller might be more comfortable talking to men regarding air-conditioning maintenance. The team leader states in the interview 6 that

We were taught about the process of cleaning by a video that shows how it is done but there a so many structural differences. Some customers ask if they could speak to a man about the job. I sometimes think that it might be better to have some man taking the calls, because I have never done air-conditioning maintenance myself. It might be helpful to go along with the maintenance people to see how it is really done. (Interview 6)

The team leader and HR had discussed it over and decided that it is enough that the agents are experienced as the customer cases are diverse. This same feedback arose also in other interviews; they all stated that the service is, due to its diversity on types of calls, quite complicated. When asked about the training for this service;

The training was done in two parts, first the system and how different customer calls will be solved then we took calls for a while and then we had additional training. (Interview 5)

Interviewee 6 responded similarly about the service training, that it was very good and they had seen the maintenance process through video.

Team leaders are valued as major asset for their company. Interviewee 2 described some of the strengths of the supplier company as follows;

Our organisational structure is low and our team leaders are really talented. They are responsible for customer contacts, client co-operation and team leading. I think that the lack of hierarchy is good but maybe more hierarchy is needed in the future if we continue to grow as a company.
(Interview 2)

She highlights the strength of having skilled team leaders and low hierarchical structure of the company. She also raises a question of maybe adding more hierarchy when the company grows.

4.2.5 Communication and collaboration

In section 3.3.5 the communication was stated to be vital part of each step of the process especially during the outsourcing project and during operations in cross-functional processes. Collaboration with these two companies has continued for five years already. Interviewee 5 explained the collaboration as follows:

The service came to our team a couple of years ago from another team. They have a really good system where customer information is stored. If we can't do what the customer asks then we send customer information to the main office as call back by email.
(Interview 5)

It becomes apparent that the service system is good tool and functions as communication channel between the outsourced team and the main office team.

When training was discussed in section 4.2.4 both the team leader and the service agent stated that the training was quite comprehensive. It was held in two parts, first the team was introduced with the maintenance process by a video and they were taught how to use the service system. Interviewee 1 however stated that there had been some quality issues:

Things that came up after the implementation, such as that the training was not sufficient enough to handle the calls in the beginning, but with additional training those issues were solved.
(Interview 1)

This statement shows that client took initiative and provided the team with additional training when they noticed that there were some quality issues. Team leader was very

happy about the improvements already in place as it gives the service team more independence and ability to serve the customers better:

We can now follow the status of a project and tell that to the customers on the phone. Customers can follow up on their projects status online, so they see the same thing as we do in the customer service. (Interview 6)

When asked from the team leader and service agent about the collaboration with the client company they both responded positively, interviewee 6 said that "co-operation with this client is very uncomplicated and good and they really listen to what we think" (Interview 6). The fact that the client has been with the same supplier for five years, can be interpreted as a successful partnership and this collaboration seems to be good for both companies.

4.2.6 Technology

Contact centre business is highly technological. For a company to acquire that amount of technology and keeping it up to date can be very expensive. Outsourcing the customer service to a service provider saves the company a lot of money in licencing and infrastructure costs, as well as provides most recent knowledge and tools for performing the service function efficiently. Interviewee 3 explained that they received information on the case project after a start-up meeting from the team leader.

I got into this project at a late stage, usually if it is a simple small outsourcing the sales people inform the client what information is needed and we get information from then in the start-up meeting. (Interview 3)

This start-up meeting is a good way of exchanging information between the two companies about technology, services and processes. During the meeting a timeline for the project can be defined and structure of service team can be decided on.

Especially in a more complicated outsourcing it would be good to have the IT involved in early stage as we need to know what kind of systems will be used, do we need to open service numbers and if we need to access servers, all firewall openings need to be defined sometimes with several vendors. (Interview 3)

As this statement shows if there is a network of suppliers that need to be contacted and all elements of infrastructure need to be fixed before operation, and this might take time. To avoid misunderstandings it is good to have all key stakeholders taking part in the start-up meeting, so relevant information can be shared.

When Interviewee 1 was asked about outsourcing,

If a company is considering outsourcing, they should have a good database /tool for guiding the customer service work. Without our service system, I don't think that outsourcing would have been possible. Even with our system, we noticed that further development is needed so that the customer service can provide comprehensive service to our customers. (Interview 1)

So he would recommend outsourcings only if there are good tools for providing the outsourced partner with the product and service information. Their service system is a vital tool in transporting the information between the two customer service offices. When asked about the system the service team people commented that "the system is the best I have worked with, it has a lot of information and it is easy to use" (Interview 5).

Reporting needs to be built so that it complements the quality measurements defined in the contract. As the client is not in the same premises as the service team the reporting gives up to date information on how the operation is running. Interviewee 3 said that

We do the reporting according to customer's wishes, but if there are no specific requests we also have basic reports available to all customers in our NESQ-service. (Interview 3)

As noted earlier, this client did not have too many requirements for the quality of the service, so basic reporting was sufficient.

4.2.7 Follow-Up

Follow-up is important part of the outsourcing. After implementing the service to maintain good customer satisfaction it needs to be monitored closely. This service has been with the supplier company for five years, but the current team was not involved initially. As discussed in section 4.2.4 the team leader explained that sometimes the questions are so detailed and connected intimately with the maintenance process that unless you do the maintenance yourself, it is impossible to respond with sufficient knowledge. This point also came up in interview 1:

We have had some quality issues, which have resulted in some dissatisfied customers. We have hired a consultant to monitor the calls and discuss with the customer service agents on how they feel about their work and give feedback on the calls and suggest improvements. (Interview 1)

Feedback in this case came from the customers and client used consultant to resolve the issues. As section 4.2.3 describes there were originally not that many service measurements. As this shows with outsourced service, it is important to have clearly defined measurements. According to Interviewee 1 apart from measuring normal targets, such as queue time and answered calls, the service team had very little requirements. Interviewee 1 states that

We do follow up on customer satisfaction that is why we are now improving the service process with the help of our consultants. We have a defined a response time for our own team, if a call has been forwarded to our office to solve, so that customers don't have to wait for the response too long. (Interview 1)

This consultant involvement has resulted in major improvements. Team members felt that it was a big issue, when they took call backs, they were not able to tell the customers when someone would respond to their call.

The response time to the call-backs is very good improvement, all customers want response during the call, so they are much happier when they at least know when they will be called back. (Interview 6)

In this case the client reacted quickly when they realized that the quality of the service was not at an optimal level. They hired a consultant to resolve the quality issues and

this resulted in definition of service level for the in-house team and other improvements.

Both Interviewee 5 and 6 agreed that the system is very good, it has a lot of information and it is easy to use. Considering that this is a complicated service, the system is a tool that makes outsourcing this service possible. The fact that the customer calls are so different from each other also makes the service interesting for the team.

As continuous process development is an important part of successful outsourcing the interviewees were asked about suggestions for improvements. The client company is hoping to improve the customer service system so that the outsourced team is able to solve most of the calls.

The company is developing a more comprehensive system that would allow customer service to take even more complex calls. The improvements include more information about our different products, extensive customer history, project follow-up information that this data can also be given by the customer service during the call. We are hoping that this will help the customer service to solve most of the calls by themselves, which would create more satisfied customers, less back-office work for us, and more empowered customer service agents. (Interview1)

So the client would want to deepen the partnership in the future so that the service team would be able to work more independently. To enable this they are improving their service system even further.

From technology point of view, Interviewee 3 explained as follows:

I would like to see more proactive product development options in the phone system. And as I said before, technology should be part of negotiations already in early stages (Interview 3)

To sum up, interviewee 3 hopes for stronger utilization of technological solutions and IT involvement from the start of each project.

When asked for ideas for improvement, the HR manager said:

I would like to focus on the continuous training and maybe implementing programs to create career paths for talented team members to grow into team leader roles as it is very difficult to recruit team leaders suitable to our needs from outside. (Interview 2)

As discussed earlier, in section 3.1. continuous learning would reduce operational risks.

These development ideas from Interviewees 2 and 3 will be included in the building of conceptual process proposal for future outsourcing projects of the case company in section 6.

4.3 Key Findings from the Case Outsourcing Project

There were similarities with the elements found in the literature. The scope of the outsourcing was well defined and partner selection was conducted diligently. But the project did reveal elements that were missing compared to the Conceptual Framework. Firstly, there were no specific service level or other quality measurements required from the supplier. The only request regarding personnel was that agents are experienced and preferably male. The service proved to be complicated to outsource as the client discovered when they felt a need to further improve the system to help service team answer more calls and also hired a consultant to improve the service process.

A positive element in the case project contract was that it was based on collaboration and flexibility there is no need for sanctioning or exit clauses. The contract was built for a long partnership in mind; it has durable pricing for both companies and only a three-month termination period. The team leaders are a strong and multitalented resource of the company. Future development ideas are to have tighter partnership by enabling the team solve more customer cases in the phone. IT is hoping for better utilization product development options during the customer calls and the HR manager is hoping to implement a continuous learning process for the company in the future.

Important elements that are present in this case outsourcing project are **Start-up meeting**, where information between all key stakeholders can be shared. **Reporting** is a vital tool in vendor management. **Training** needs to be sufficient and process needs constant monitoring and **further development**. **Good tools** are needed to transfer information between the partners and to supply customers with best possible service. These elements are highlighted to the initial conceptual framework in blue.

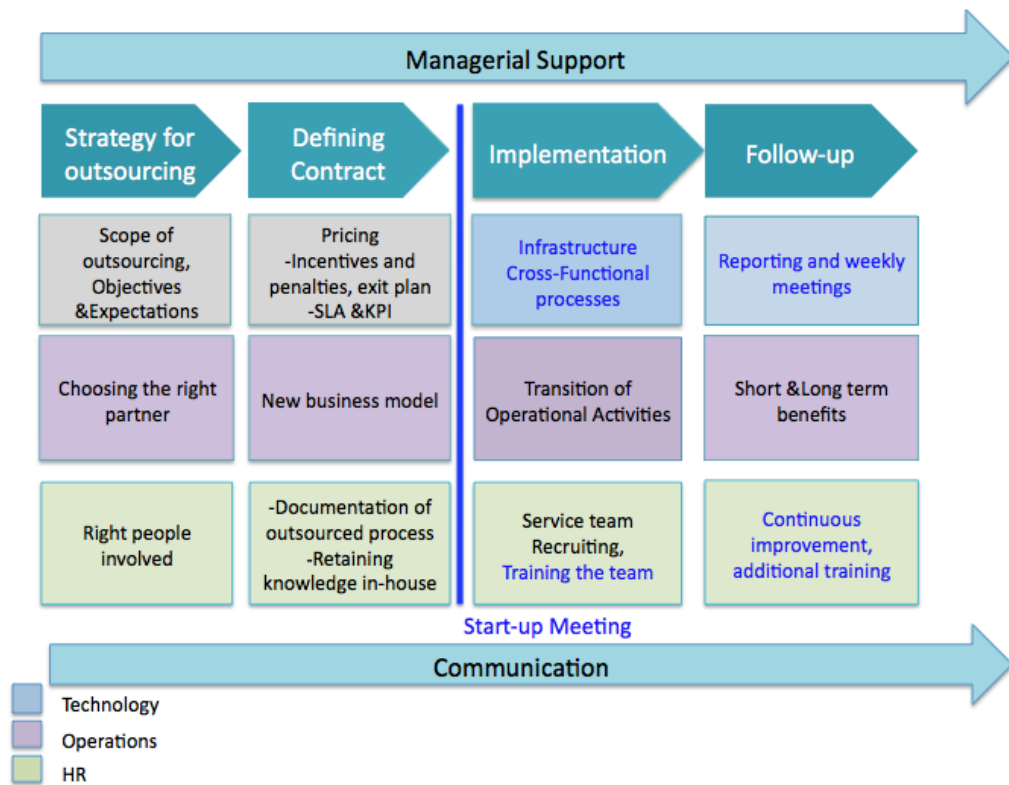


Figure 5- Process elements from Case Project

In figure 5 the elements that are added to the Conceptual Framework. The focus areas are mostly related to knowledge transfer between the two companies.

The strengths that were discovered during the analysis were low hierarchy structure that enables flexibility within the company. One of the company's assets are skillful team leaders that take part in customer contacts, day-to-day operations, reporting and monitoring and planning for the service. Nesenta also has extensive knowledge in contact center technology.

Strengths	Challenges
Low hierarchical organization	Cross-company knowledge transfer
Strong technological expertise	Intercompany knowledge transfer
Multitalented Team Leaders	
Good organisational culture	

Table 6: Strengths and Challenges

There are however, some elements that need further improvement. The most critical element that came up during several interviews was knowledge transfer both inside the company and in cross-company processes. This part of the outsourcing process is looked into in more detail during the next section.

5 Knowledge transfer

The previous section was about describing the case project of outsourcing, its specific features and elements. After implementation, during the monitoring of customer satisfaction, the client company had discovered some quality issues and hired a consultant to find out how to resolve them. What they had discovered was that the training for the service was not sufficient and the customer service tool does not provide agents with enough information to solve all calls directly. This same information emerged in four different interviews, so it is worth researching further. Therefore this section focuses especially on the challenges of knowledge transfer. Literature has been consulted to find solutions to tackle this challenge in future outsourcing projects.

5.1 Knowledge transfer and learning organization

To achieve the best possible results in knowledge transfer, an organization has to support the process. Zahran states what is needed is an "(o)rganizational culture that supports innovation, learning and cross-boundary knowledge transfer" (Zahran: 463). Zahran continues that in order to be truly successful the reward system should support the knowledge transfer. Garvin agrees that to achieve the atmosphere that is conducive to learning, an open environment to stimulate exchange of ideas (compensation to support learning) is needed (Garvin 1993).

Goh lists the organizational characteristics and managerial practices needed to ensure effective knowledge transfer.

- *High level of trust*
- *Strong culture of co-operation and collaboration*
- *Strong culture of continuous improvement and learning*
- *Organizational design that encourages horizontal communication*
- *The level of skills and competencies among employees need to be relatively consistent.*
- *Balanced approach to encouraging the sharing and transfer of knowledge through structured processes.*
- *Reward system should also consider successful knowledge sharing, co-operation, and teamwork* (Goh: 29)

As discovered in the interview section 4 the organizational structure at Nesenta seems to have elements that Goh has listed as a suitable environment for efficient knowledge transfer. They have a low hierarchical company structure that enables horizontal communication, willingness to become organization that supports continuous learning and improvement and strong technological expertise that would enable knowledge sharing. In the next section some methods that enable efficient knowledge transfer are introduced.

5.2 Tools for Knowledge Transfer

Contact centers are optimal for creating a learning organization as they store massive amounts of data from different clients. They also continually improve the service process by learning best practices on the job. Garvin says that:

Learning organizations are skilled in five main activities: systematic problem solving, experimentation with new approaches, learning from their own experience and past history, learning from others, and transferring knowledge quickly and efficiently throughout the organization.

(Garvin 1993: 81)

The previous section illustrated that the organization needs to have the right atmosphere in order to become proficient in knowledge transfer. If we include the characteristic Garvin says about learning organisations we notice that apart from the right kind of organisation, individuals also need to learn new skills in problem solving, experimentation, learning from others and ability to transfer knowledge quickly.

There are some important elements to consider if we think about knowledge transfer.

“(T)wo factors of particular importance, knowledge codifiability and internal interdependence. Codifiability refers to the tacit or explicit nature of knowledge” (Cardinal et.al 2001: 197). This means is that in order to transfer knowledge efficiently, we first need to identify its nature. Interdependence refers to the nature of interaction and integration between organizational units (Cardinal et.al.2001: 196).

Nonaka has considered these following four different elements and accordingly divided knowledge creation into four basic patterns:

From Tacit knowledge to Tacit: This mode is close to apprenticeship where the information is transferred by observing and repeating the process by doing it the same way. *From Explicit knowledge to Explicit:* This mode is achieved by combining coded and documented information from different sources and applying them to suit your

own needs. To transfer *from Tacit knowledge to Explicit* requires codifying and documenting tacit knowledge, which can be quite difficult and you need to explain inner logic and processes to someone else. Transforming *explicit knowledge to Tacit* is the process when employees internalize documented information, and they add to it their own tacit knowledge that comes with experience. (Nonaka)

Therefore to fully utilize all knowledge within the organization it has to be transferred according to its nature. All patterns of learning should be present in the organization to get the full benefit. We have now discovered ways to efficiently transfer and create new knowledge in the organization. Gephart discusses some basic features a company needs to implement to store knowledge for future benefit.

Leadership and Management	The Communication and knowledge systems	The Structure	Support systems	The Technology
Facilitate learning	Create new practical knowledge	Facilitates learning across internal divisions	Diagnostic tools tracking individual	Gives access to all information
Encourage people to contribute	Provide access to business and strategic information	Captures and shares learning	Diagnostic tools group development	Enable effective learning
Free resources to signal commitment to learning	Tapping sources outside organization for information		For identifying areas of improvement	Promoting group learning

Table 7-Knowledge transfer

(Based on Gephart et.al 1996)

He has divided the features in five different topics that go throughout organizations- all five should be present for organization to have an efficient way of storing collectively information received from outside and created within the company (Gephart et.al. 1996). These feature leadership and management, communication and knowledge systems, structure, support systems and the technology. All of these elements have also been mentioned in previous sections of this study.

"The knowledge resides in organizationally embedded routines, formed from learning-by- doing... the new team has to "feel their way through the process" rather than depend upon previously documented experiments for the appropriate steps"(Cardinal et.al. 2001:200).

This section discussed creating an environment that supports knowledge transfer and how knowledge is effectively transferred and stored for future benefit. The next section

focuses on explaining the elements of the conceptual structure on the basis of which the improved proposal will be structured.

5.3 Improved Conceptual Framework

As discovered during the case analysis there were some elements that required further improvement. These areas are marked in red in this final conceptual framework below. Knowledge transfer in form of start-up meeting enables sharing the knowledge of the new client's service to all key stakeholders of the supplier company. In the implementation phase it is vital to have well-documented service processes, which then can be used as a training tool for the new outsourced team. The areas of improvement are highlighted in the following figure in red.

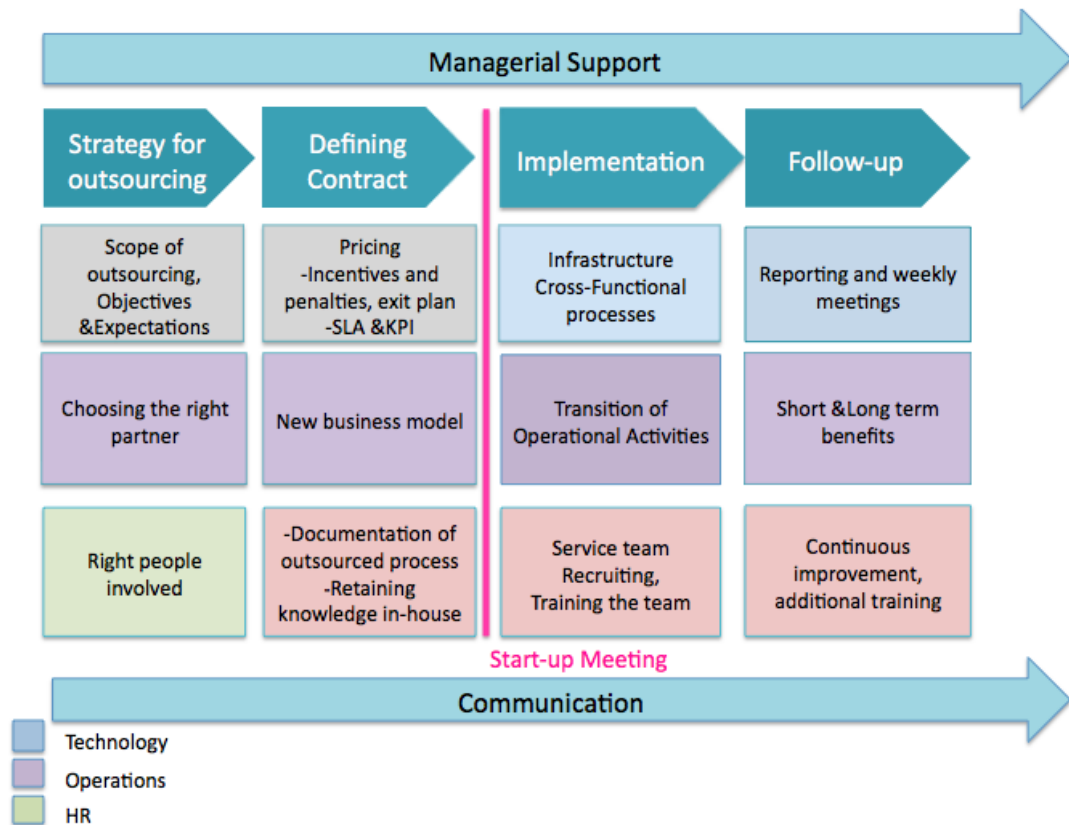


Figure 6-Final Conceptual Framework

Following the chronological structure of the process, it starts with the strategic elements; Scope of outsourcing, partner selection and getting the right people involved from the start. Then it moves to contract definition; pricing structure with incentive and penalty clauses. In the contract, also service description and key performance in-

dicators should be defined. Client Company needs to have an idea of exit strategy and for the outsourcing to be successful, enough knowledge need to remain in house for vendor management. Transition planning includes recruiting the service team and transferring the operational information, that is to say service training for the team. Also cross-functional processes need to be agreed upon. Transferring operations phase includes transferring the actual operations to the outsourced service supplier and all interfaces needed in producing the service. Finally when the service is operational, the client company will monitor the service through reporting and regular meetings. Also both companies should commit to continually improving the service.

In the next section, this process structure is introduced to the company IT manager, HR manager so that a feasible process plans for the company's future outsourcing projects can be created. The proposal of the conceptual process is then introduced to the CEO for validation.

6 Building Proposal for the Case Company

After doing the research and data collection through interviews, the basic structure for a feasible process plan is constructed with the help of the supplier company's key stakeholders. This structure can be utilized by the supplier company in their future outsourcing projects. Data collection from the key stakeholders has been done as one-on-one brainstorming session's documentation of which is in appendix 7 and 8. The structure follows the same phases as the Conceptual Framework and case project description and offers concrete tasks for the Client Company, outsourcing supplier as well as joint tasks to each phase of the project.

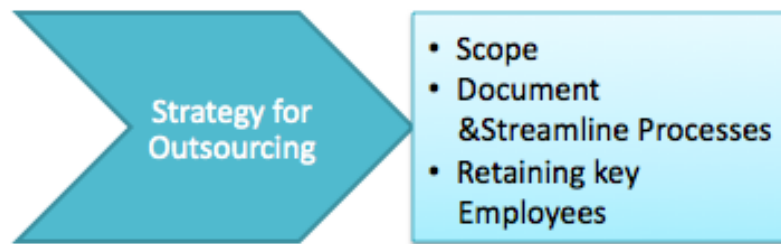
6.1 Process of building the Proposal

The proposal is merging information from initial conceptual framework from literature, results of the case project analysis and additional research to the challenges found in the case project. First the literature was reviewed to compile initial conceptual framework. Second the case project was documented through one-on-one interviews (data1) with the key stakeholders in the project and current service team. Third according to the results of the data 1 analysis, further research was done with special focus of challenges found in the case project. Finally the elements found during literature research and case project analysis, were processed in brainstorming sessions with case company ITC- and HR- manager.

6.2 Proposed Steps

Strategy for Outsourcing

When a company considers outsourcing the first thing to consider is what will be accomplished by outsourcing a service. If the company is outsourcing for the first time this part of the process determines if the outsourcing will be successful or not.



Client Tasks

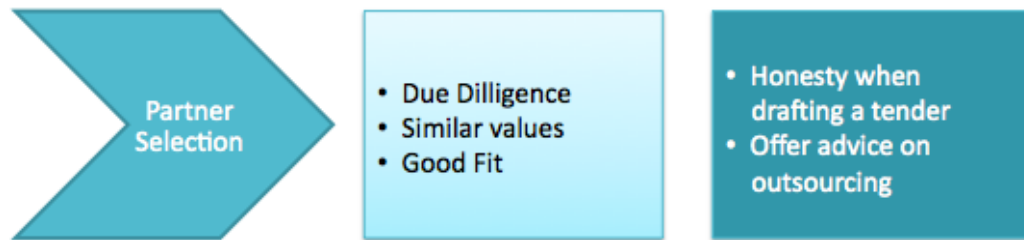
When outsourcing is planned it should be kept in mind that not all processes can or should be outsourced. Before moving ahead ask these following questions :

- What is your Core business?
- What Processes can be codified and therefore transferred to Outsourcing supplier?
- What Processes can safely be done elsewhere (if you take into consideration plagiarism, or losing your key competitive edge etc.)

After determining what part of the business process you will be outsourcing, said processes need to be documented and streamlined. If your decision to outsource affects the personnel, make sure you have the documentation finished before announcing to the employees they will lose their jobs for an outsourced service provider. Specify the level of quality you want for the service. It is not necessary to have the best possible service, aim for good enough so that it is not reflected on the customer satisfaction. After defining the quality level, make sure they are also measurable. Outsourcing done well can decrease business risk. It can lower technology investments and give more flexibility in personnel and other resources.

Partner Selection

Partner selection should be based on the outsourcing strategy that has been defined earlier for the company. The tender phase is a good way of finding the best partner, suited to the company's needs.



Client Tasks

In the tender phase, ask from the potential partner the right questions. In order to have the right fit from the partnership, the supplier needs to be able to meet the service and technological requirements, offer the right personnel and in general have similar values and ideas on how a service should be conducted. If the service is complex, be sure to ask about personnel turnover, as it affects knowledge retaining. In an optimal situation the partner can provide your company with new skills, innovations, technology and other resources that benefit the core business.

Supplier Tasks

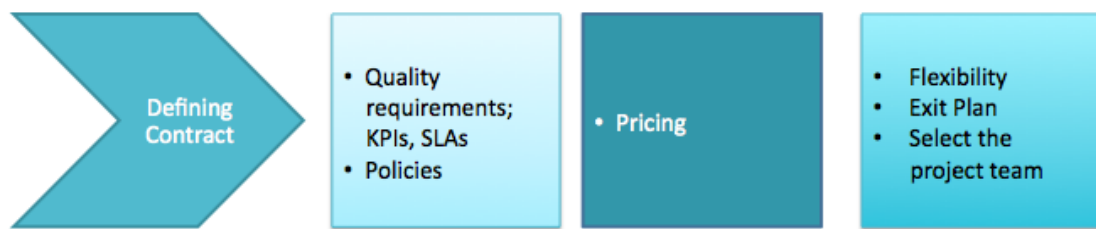
In the tender phase, give the potential partner a truthful description of what kind of service and technology the company can offer. If the information is not provided by the client, it would be beneficial to ask what kind of service channels they are wishing to have, what kind of systems they are using or whether the systems need to be provided by the supplier. Establishing direct contact with the client in-house and outsourced technology partner enables fast collaboration during the planning and implementation phase. This information is important to have as a basis for the service planning and estimating the costs of the project correctly.

Make an effort to understand the potential clients' business model and offer services that improve the client companies' inner processes. If the potential partner is new to outsourcing, act as a consultant to help them make an informed decision.

Joint Tasks

When defining the service, make sure that both companies are talking about the same things. If both parties are sufficiently knowledgeable there are viable grounds for fruitful partnership. Both companies should strive to understand the other company's core business and try to find ways that would be beneficial to both parties.

Defining Contract



Client Tasks

When defining the contract the quality requirements and goals for the service need to be defined. If a particular measurement, for example customer satisfaction is a key issue for the company, it can be emphasized by asking for sanctioning of the pricing with poor performance and incentive measures with good performance.

Supplier Tasks

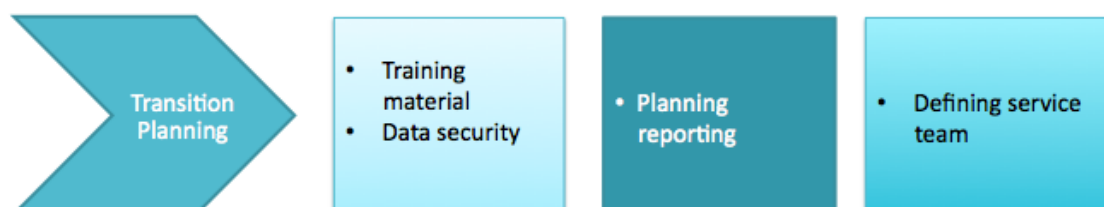
Price the service at a sustainable level, so that you are not forced to renegotiate pricing after one year of supplying the service. Getting new customers in is important, but it also reflects to the reputation of the company. If company seeks stable growth, this should be a priority.

Joint Tasks

When defining the contract it is smart to consider the changing business environment and draw agreement to suit both companies in case their circumstances were to change. Introducing an exit plan in the contract should be considered. It is not wise to tie the company to an agreement if there is no way of getting out of it.

At this point the project team who will follow the outsourcing project through needs to be defined.

Transition Planning



Client Tasks

When planning for the transition the training material needs to be prepared. The documentation done in the beginning of the outsourcing process will help to include all tasks and processes descriptions that the new service team needs to know in order to serve customers. Also all cross-functional processes between the supplier and client should be defined. All reporting to measure the quality of the service should be decided at this stage.

Supplier Tasks

Reporting model need to be created according to the client specifications. The customer information security issue needs to be addressed, i.e. where the data is stored and how to ensure its safety. All infrastructure, call and email routing, firewalls, service platforms, server connections and operational tools need to be created and made operational at this stage.

Joint Tasks

This is a good stage to have a start-up meeting where all details of the project and service implementation can be discussed. All key stakeholders of the project should be present. In this stage the service team and future team leader should be selected. Together with the team leader you should define the people who will be answering customer contacts. Outsourcing supplier companies HR manager should be included in this process. When defining suitable personnel, ask:

- what should the team be capable of, who in our company has the best knowledge? Are additional resources needed, what systems are needed?
- If no specific expertise required, what team has most resources?

Service training should be done just before the launch as the knowledge retention is weak if it is not been put practical use quickly.

All infrastructure needs to be tested before implementation and communication channels between different suppliers need to be established. In this phase, it is also important to decide who is responsible for what.

Implementation & Follow Up



Client Tasks

To have sufficient resourcing it would be helpful to the customer service if the client supplies them with contact forecasting from history data. The outsourcing client should offer support for the service team especially in the beginning when the service team has not been able to acquire enough data so that they could service the customer in the best possible way.

Supplier Tasks

Operational meeting each week both in-house and with the client are important in maintaining a good level of knowledge on what is happening in the service. Meeting can be utilized to share information, get a feel of the atmosphere and collect customer feedback. Reporting should support the quality requirements defined in the contract. If the transition has been successful and operation has stabilized, the service quality can be monitored efficiently by adequate reporting.

Joint Tasks

Both parties are responsible for the successful operational transfer and the outsourcing project management. Initially it would be beneficial to monitor service quality by listening to the calls; Additional knowledge on how to service the customer better can be acquired by mentoring and learning on the job. Both companies should commit to continuous service development, as this is a vital part of maintaining a competitive edge.

6.3 Initial Proposal

The proposal that is presented to the CEO of the supplier company Nesenta includes all the above mentioned phases and tasks of outsourcing process. This figure illustrates how the process could be conducted.

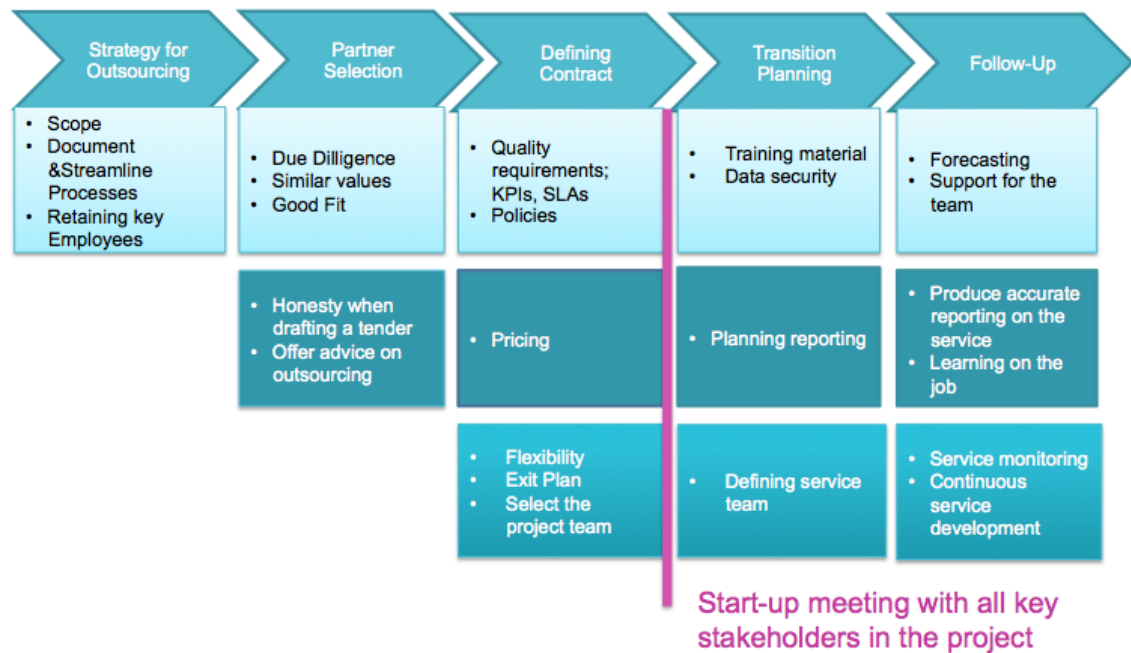


Figure 7-Initial Proposal

The process begins with defining the strategy for the outsourcing. It then moves to finding a suitable partner that shares client company's values and can best support their core business. Then during the tender phase all the right questions should be asked to find the strategic partnership needed to improve company's core business. After finding the suitable service supplier, all quality requirements and pricing to the agreement need to be defined. It would also be beneficial to have some form of flexibility so that new agreement negotiations are not required every time something is changed in the business. When all details have been defined for the co-operation, there should be a start-up meeting where all practical issues related to transition can be discussed. The transition should be a joint effort so that it can be done smoothly. Finally you should monitor the service closely and offer all assistance to the supplier so that they can serve your customers well. Both companies should commit to continuously developing the service further.

6.4 Summary on the proposal phase

The proposal was built in collaboration with the supplier company HR and ITC- managers. The objective was to construct a feasible process plan that they can use in future outsourcing projects of the company. This proposal is now introduced to the CEO of the case company for validation.

7 Validation of the Proposal

This section discusses the process of validating the proposal that has been created with the help of relevant literature on outsourcing, elements found in the case project and discussions held with the key stakeholders of the company. The validation was conducted by introducing the proposal to CEO of the case company for commenting. The initial process plan was then reviewed step-by-step in a conference call and the feedback received during this discussion is described in the following sections.

7.1 Feedback on the Proposal

The third data collection consists of presenting the process plan to the CEO of the case company for validation. The presentation consisted of conceptual process plan and description of tasks in bullet points. The purpose of this was to find the proposal's strengths and weaknesses and update the proposal accordingly. This validation was conducted by a one-on-one conference call with the CEO. The result of this discussion has been used to adjust the proposal into its final form.

Initial comment on the proposal was "you have found well all the key elements of an outsourcing project, it was difficult to find something to add to the process" (CEO). The process was discussed one element at a time, and this table shows the feedback of each element

Phase of the process	Feedback
Strategy for Outsourcing	The strategy is defined by if the client has already out-sourced customer service or if they are doing it for the first time
Partner selection	The competitive edge that outsourcing enables is probably something companies don't realize
Defining Contract	The KPIs should be clear in the contract and value of each measurement has to be discussed with the client, so that price-service quality ratio is at optimal level for the client.
Transition	This needs to be a joint effort for it to succeed
Follow-Up	There is a difference between managing partnership process than in-house team. The personnel matters don't affect as much but service monitoring may require more effort.

Table 8-Feedback on the Proposal

The CEO highlighted a few elements in the proposal. Firstly he stated that it is important to differentiate a first time outsourcee from companies that have already outsourced the service and are looking for a new supplier. This affects several elements; firstly the level of documentation in a company that has previously outsourced the process will be more detailed and suited for outsourcing suppliers and manual on how to do the process. Secondly the company has inside knowledge on vendor management, key performance indicators of the field and better idea of what they require from the outsourced service. If a company is new to outsourcing they will require a lot of assistance on defining the service, defining the quality and monitoring the quality. It is a completely different process to monitor the in-house service team than to do the same for the outsourcing supplier team.

Partner selection was discussed at length. The CEO pointed out that a lot of companies considering outsourcing neglect to consider the business advantages outsourcing can bring to the company. In finding a well-fitting partner the resources of the company may increase and they can focus on their own core business and achieve advantage in their field.

Transitioning the service needs to be a joint venture for it to succeed. There needs to be mutual trust and good communication between the partners. Also all cross-functional process roles and responsibilities need to be clearly defined.

Personnel issues do not affect you but you will still remain a process owner and are responsible for informing any changes in it. Also it is vital to remain knowledgeable on the service process as it will evolve and if you find yourself in a situation that requires a change in vendor, you will need to have the most recent process of the service documented. Monitoring the service should be done on a weekly, monthly and quarterly basis. The level of reporting is dependent on the maturity of the partnership, after the service is running relatively smoothly there is no need for constant controlling.

7.2 Final Proposal

The final proposal includes the element contributed by the company CEO. He stated that the strategic difference between a company that has previously outsourced and one that is doing it for the first time is significant. In addition, he highlighted the importance of strategic partner selection and the role of vendor management compared to management done in the in-house team.

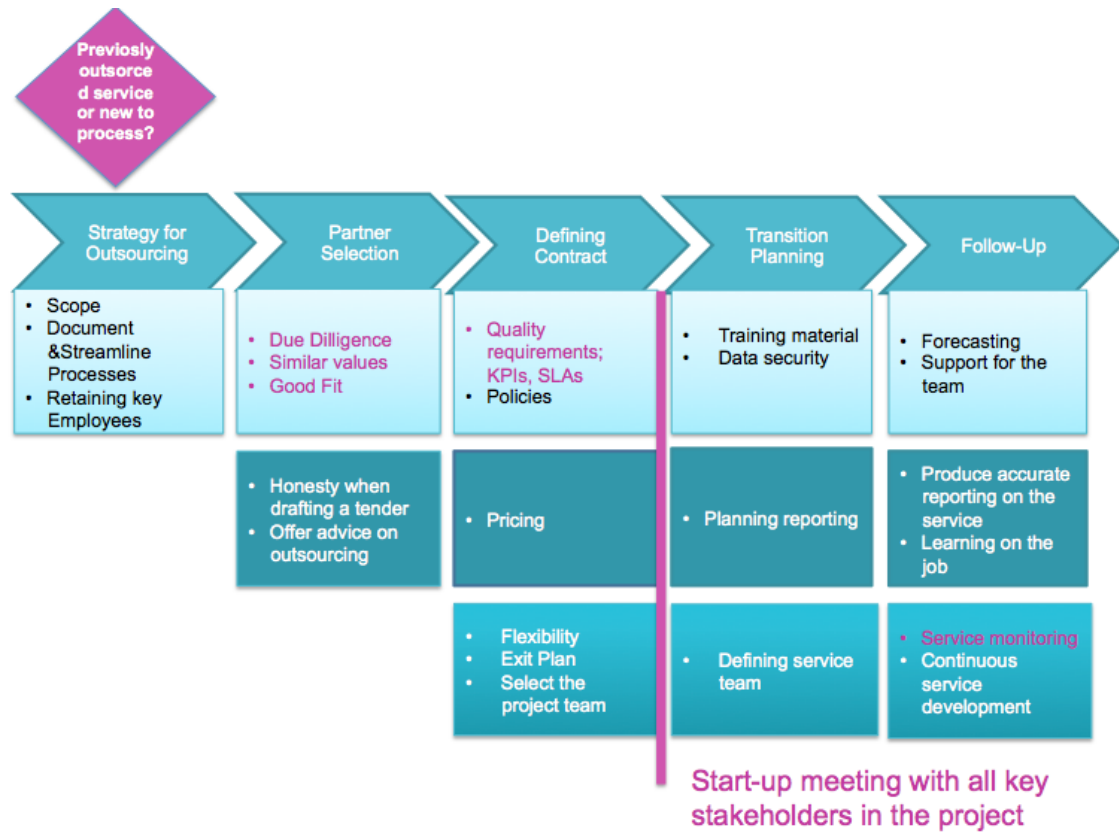


Figure 8: Final Conceptual Process

The feedback did not reveal any significant changes it the initial proposal, but the elements that the CEO felt had significance to the process are in the figure 8 highlighted in red. First important addition is determining if the client is new to outsourcing or has outsourced processes before. If the outsourcing is done for the first time it requires from the supplier a more active role as a consultant for the process. Second partner selection is often undervalued by client companies, the competitive edge that right partner can supply can result into client company's success in their field. Third the quality requirements determine the process during the follow up phase. If the service level and key performance indicators are correctly defined in the contract the vendor management is much easier for the client company. Fourth the start-up meeting has an important role in transferring information between partners and as highlighted by the CEO, transition need to be a joint venture for it to succeed. Finally when the service is in operation the service monitoring or vendor management is different when the service is no longer in-house process. The involvement from the client company is important and helps the service team to succeed in supplying the customers the level of service the client company wants.

7.3 Recommendations

This process plan was built in tight collaboration with the case company stakeholders, and it already resembles case company process in many details. Findings from the conceptual framework and the validation from the CEO both emphasized the importance of defining outsourcing strategy and the scope is determined by what can be outsourced. The process should not be client company's core competencies and it needs to be codable so that it can be documented for the supplier company. Supplier should take an active consultant role especially if the client has never outsourced services before.

During partner selection a significant competitive edge can be obtained by choosing the right partner. It would benefit both parties if the supplier company would aim to create additional value for their client's service process.

Quality measurements should support the client company's strategic goals and can be emphasized by incentive and sanctioning clauses in the contract. Clearly defined measurements also make the vendor management easier for the client company.

Start-up meeting is a very important for the success of the project. All key stakeholders in the project should be present so that all vital information can be shared between the companies.

Finally in the follow up phase service monitoring should be a result of the quality requirements defined in the contract. Client involvement makes the start of the outsourced service easier and this would benefit both client and the supplier companies.

These suggested improvements require only minor changes from the case company but they could give the company significant competitive edge.

8 Discussion and Conclusions

This section summarizes this study and gives suggestions on implementing the new conceptual process plan in future outsourcing projects.

8.1 Summary

This study dealt with building a conceptual step-by-step process for a customer service outsourcing project. The case company provides its clients outsourced customer services. They have created a service solution that combines technology and resources needed for outsourcing customer service. To complement this solution, this study was conducted to provide a conceptual process for implementing the service to the outsourced service supplier.

Based on the findings in literature on the outsourcing elements needed, interview questions were created to determine the current process. The interviews shed light on the process in the case project. Some of the elements of outsourcing found in the literature were visible also in the case project such as defining the scope of outsourcing and careful partner selection.

Also some elements differed from the literature. For instance, there was a start-up meeting in the case project. It did not however include all stakeholders from the supplier company. The HR manager and IT manager got second hand information on the project from the team leader. Although the training was thought out, it was still not able to convey all the required information, which later resulted in quality issues. These issues were then tackled with the help of a consultant, with good results. Therefore the analysis of the project shows there were some challenges in the knowledge transfer of the service. This was researched in more detail to improve the process in future outsourcing projects.

Data for the study was collected from relevant literature and by one-on-one interviews. The process proposal was built in collaboration with the case company key stakeholders and validated by the CEO of the company.

To conclude, suggestions on the new process implementation to the company are discussed and suggestions given for further development of the knowledge transfer process.

8.2 Practical/ Managerial Implications

The key findings of this study revealed that improvements in knowledge transfer would benefit the case company. The implications are listed in three parts; firstly managerial support for learning organisation, second technology's role in a learning organisation and finally suggestions on diagnostic tools for measuring the success of knowledge transfer.

Managerial support

In order to create a learning organisation there are three important factors for the company focus on to facilitate efficient knowledge transfer. Firstly, the company should enable learning across the entire organisation. Then they should encourage employees to share knowledge they have created on the job. To show people in the company that managers are dedicated to establishing a learning organisation, managers should allow time for the learning and sharing of knowledge. Also if knowledge transfer is important to the company, the reward system should be connected to the success in creating, retaining and sharing knowledge.

Technology enables the storing and transferring of information, throughout all levels of the organisation. The employees would be able to access all information and share what they have learned on the job with their colleagues. Technology can be used to both individual as well as group learning.

The retention of knowledge could be measured for example with a test after the initial training followed by a few weeks practicing and then repeating the test to establish the learning curve. The reward system could be based on the results of the test. If an employee is in a team leader or mentoring role and sharing information, the recipients could do a peer evaluation on sharing the knowledge.

8.3 Evaluation of the Thesis

The proposal built during this study requires only minor modifications to the case company's current processes. All recommendations aim at better transfer of information and knowledge, which is a commonly recognized issue in most companies so offering some ideas on how to improve this part of the process will most likely be welcomed.

8.3.1 Outcome vs. Objective

The objective of this thesis has been to create a conceptual step-by-step process plan that can be used as a tool when implementing future outsourcing projects. During the study relevant literature on successful outsourcing was used as guidance for preliminary outsourcing process structure. This structure was then utilized as a basis for the interviews to get a comprehensive picture of the case project. And finally the step-by-step process plan was constructed in collaboration with supplier company key stakeholders and then validated by the CEO of the case company.

Therefore the outcome of this study is what is sought out to be, a conceptual step-by-step process. Unfortunately due to time constraints, the new process has not been tested yet.

8.3.2 Reliability and Validity

Four elements were included in the validity and reliability plan in section 2.3 to ensure that the study was conducted with sufficient rigor throughout the research. The study has followed a rigorously documented methodological path, which is a rudimentary element for establishing reliability in a case study.

Triangulation was covered as interviewees for this study were selected so that several different points of views on the outsourcing case would surface. The interview questions were designed so that the data collected is both objective and valid for the purposes of this study. The interviewees' background and level of expertise was high and it was documented on each of the interviewee's field notes.

Construct validity was established as the key concepts of this study were introduced in section 1.2 and the case project data was linked to relevant published studies on outsourcing.

External Validity is realized as the case in this study has functioned as an example on outsourcing process. It cannot be used by itself as a generalization for the outsourcing process. As the study also relies on relevant literature on outsourcing processes, and all elements found in the case project were supported or contradicted by literature of the Conceptual Framework, it is feasible to claim that the case in this study serves as a good example of an outsourcing process.

Reliability

The research process has been documented meticulously in order to give a comprehensive idea of how this study was conducted. If later another researcher were to follow the same procedure as described, would they arrive to same findings and conclusions? Time passing may alter the recollections each interviewee had on the case project so the result would probably not be identical. The researcher is not an employee of the outsourcing supplier company, so objectivity should not be an issue, as in this case the researcher has acted in outside consultant capacity.

Transparency of the study is shown in all documentation of data collection. All information received through interviews was documented in field notes and the correctness of the notes was verified by each interviewee as they received the field notes for verification.

Research bias

During the interviews, the questions may have been slightly biased, even though all effort was made to convey objectivity. As the researcher had already familiarized with outsourcing best practices, they were used to construct the interview questions. However the interview responses prove that the interviewees gave their honest description of the process, and thus bias in this case was a relatively minor factor.

Due to the fact that the only major challenge identified during the case project interviews was related to knowledge transfer and training, it felt during the study that knowledge transfer received too large of a focus compared to other elements of the outsourcing process.

8.4 Closing Words

This study focused on finding a conceptual process for outsourcing customer service. The findings from literature and especially from the case project analysis show clear structure for successful outsourcing project. The challenge of knowledge transfer found during case project analysis is very common to lot of companies. If more focus is placed on this element, the process will be improved and the case company will have competitive edge on outsourcing business in the future.

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Field notes Interview 1

Research Interview

TOPIC: Client company Co-owner

Information about the informant (Interview 1)

Table 1

Details	Client company Co-Owner
Name of the informant	Interviewee 1
Position in the case company	Co-owner
Date of the interview	19.2.2016
Duration of the interview	23 min
Document	Field notes

Field notes (Interview 1)

Table 2

* Think of formulating your own questions; these are suggestions for you to start

	Topic of the interview	QUESTIONS	FIELD NOTES
1	Background /Experience	<i>Background of the project? Please give an example of how you were involved in this outsourcing project?</i>	Our company was established in 2009. Company provides clean air measurements for building societies and home owners. I am the co-owner of the company and I am responsible for our business development.
2	Project	<i>When did you outsource? Why did you decide to outsource? How did you select your outsourcing partner? What were your main criteria?</i>	Outsourcing of the customer service took place in 2011, before that the service had been produced in-house. Volume of the calls had increased so there was a need for additional service agents. We looked for a partner that was reliable, with similar values... We didn't feel that a traditional telemarketing company would be suited for our service needs. We also needed to take the cost of the service into consideration.
3	Defining the service	<i>How did you define the parts of the service you will outsource? What was left in-house? How</i>	Customer service is taking in calls that include service request orders and their schedule modifications. All the calls that can be answered by

		<i>does the communication function between the teams?</i>	<p>the data that our system provides were outsourced. Some additional services and tailored agreements are still handled by in-house, as the system doesn't provide support for having the additional services added to the order confirmations and service quote calculations, so those are done by our own back office team. I think outsourcing the tailored solutions will always remain in-house because the knowledge required can only be attained in our main office. Delegating a process from the customer service currently comes as call request. If the call has elements that the outsourced customer service is not able to solve during the call, it is sent to the main office for resolution as call request. Tool for working both in-house and outsourced team is a service system that provides product and service descriptions, customer data and project follow up. System ensures co-operation between the in-house and outsourced team.</p> <p>The company is developing a more comprehensive system that would allow customer service to take even more complex calls. The improvements include more information about our different products, extensive customer history, project follow-up information that this data can also be given by the customer service during the call. We are hoping that this will help the customer service to solve most of the calls by themselves which would create more satisfied customers, less back-office work for us, and more empowered customer service agents.</p>
3	Key concerns Identify strengths/problems	<i>What are your key concerns about the project that took place? Identify strengths/problems</i>	<p>We had 2 people that were responsible for the outsourcing at our end, during the project I met 3 people from Nesenta, mainly the CEO and customer service people, none of them were from the IT team. The implementation itself went well, but things that came up after the implementation,</p>

			such as that the training was not sufficient enough to handle the calls in the beginning, but with additional training solved those issues.
4	Quality control	<i>How do you monitor the quality of service?</i>	There are no sanctioning or incentives in our customer service agreement, but we do follow up on customer satisfaction, that is why we are now improving the service process with the help of our consultants. We have a defined a response time for our own team, if a call has been forwarded to our office to solve, so that customers don't have to wait for the response too long.
4	Analysis	<i>In which areas do you think there is space for improvement? In what way? How could that be done?</i>	We have had some quality issues which have resulted in some dissatisfied customers. We have hired a consultant to monitor the calls and discuss with the customer service agents on how they feel about their work and give feedback on the calls and suggest improvements.
5	Best practice	<i>Can you suggest some guidelines of how to do it? What best practice do you think the company should follow?</i>	Outsourcing to my opinion is impossible without the right tools, for example if we did not have our customer system, I don't think that the outsourcing would have been a feasible solution for us, we would then probably have recruited more people to our in-house team.
6	Development needs	<i>How could the company avoid the problems in case of the next outsourcing?</i>	If a company is considering outsourcing, they should have a good database /tool for guiding the customer service work. Without our service system, I don't think that outsourcing would have been possible. Even with our system, we noticed that further development is needed so that the customer service can provide comprehensive service to our customers.

Field Notes Interview 2TOPIC: HR**Information about the informant (Interview 2)**

Table 1

Details	Supplier Company HR-Manager
Name of the informant	Interviewee 2
Position in the case company	HR-manager
Date of the interview	2.3.2016
Duration of the interview	43 min
Document	Field notes

Field notes (Interview 2)

Table 2

* Think of formulating your own questions; these are suggestions for you to start

	Topic(s) of the interview	QUESTIONS	FIELD NOTES
1	Experience	<i>Personal Background?</i> <i>Your role in the company?</i>	I have a HR degree from Hanken. I have worked for several years in recruiting and various HR roles in the past. I took a long parenting leave from work and returned when CEO told he needed a recruiting person for a project with Aalto-university. I did the recruiting for 7 years. I moved to HR work about 5 years ago.
2	Background	<i>Background of the case project?</i>	This particular service was considered difficult service. First we started to check if we have suitable people/team in-house and we decide who would be the best team leader for this particular customer service. The client company did not have any specific requirements for the team members, so we were given free hands to select suitable agents for the new service. If it turns out that we do not have enough or suitable resources, we would need to recruit new agents. Recruitment is done

			through various channels, mol.-website, word-to-mouth and sometimes even newspapers.
3	Project Preparations	<i>Preparing for the Outsourcing</i>	In this case we had a meeting with the team leader, where she briefed me about the new service. Then we discussed who would be suitable to take the calls. The client did not have any special requests what kind of agent would be suited for their service, but as we discussed this with the team leader, it was clear that the service is quite complicated and agents need to be selected so that they can handle the service.
3	Training for the service	<i>How was the training conducted?</i>	After we had decided to do the service with a current team, there was no need for general customer service training, just for the new client. If we had recruited new people we would have started the training by teaching telephone and other tools as well as how to answer to a service calls. The client held their own product and service training. Most clients are also willing to give additional training if during the operations we notice that agents need mere information to service customers.
4	Implementation and follow up	<i>How is the quality of the service ensured?</i>	The team leaders know about the agreed service levels. In the early discussions with the client all quality criteria is discussed and if the client is able to describe what kind of service they want, the team will try their best to produce that service. The calls are monitored and analyzed and the team leader discusses findings with the agent.

5	Analysis	<i>In which areas do you think there is room for improvement? In what way? How could that be done?</i>	With this case project there was some issues with training, so the team has received now more training. If I could suggest changes, I would invest more time in continuous training for agents and team leaders. It would be nice to grow team leaders to their positions in- house and that would require some form of training program.
6	Best practice	<i>What things are done better at Nesenta than in other companies?</i>	Our organizational structure is low and our team leaders are really talented. They are responsible for customer contacts, client co-operation and team leading. I think that the lack of hierarchy is good but maybe more hierarchy is needed in the future if we continue to grow as a company.
7	Development needs	<i>How could the company avoid the problems in case of the next outsourcing?</i>	I would like to focus on the continuous training and maybe implementing programs to create career paths for talented team members to grow into team leader roles as it is very difficult to recruit team leaders suitable to our needs from outside.

Field Notes Interview 3**TOPIC: IT****Information about the informant (Interview 3)**

Details	Supplier Company ICT Manager
Name of the informant	Interviewee 3
Position in the case company	ICT manager
Date of the interview	4.3.2016
Duration of the interview	28 min
Document	Field notes

Field notes (Interview 3)

	Topic(s) of the interview	QUESTIONS	FIELD NOTES
1	Experience	<i>Personal Background? Your role in the company?</i>	I have a master's degree (technology) in Computer science and I have worked 20 years in the field, now 8 years at Nesenta as ICT Manager.
2	Background	<i>Background of the case project? What usually happens from IT-perspective when you get a new client?</i>	I got into this project at a late stage, usually if it is a simple small outsourcing the sales people inform the client what information is needed and we get information from then in the startup meeting. Especially in a more complicated outsourcing it would be good to have the IT involved in early stage as we need to know what kind of systems will be used, do we need to open service numbers and if we need to access servers, all firewall openings need to be defined sometimes with several vendors. During the tender phase, technology is often missing from requirements, but it is very important to have all technical elements defined and priced in the contract. It is difficult to give a quote if we don't know what kind of CRM system or communication channels will be used, or do we have the technology in-house or do we need to buy it outside.
3	Project Preparations	<i>How did you prepare for the Outsourcing</i>	We usually have a startup meeting. In an optimal case we have all vendors and client's representatives from business, service, HR and IT at the same table. Also if the client has third-party service providers, it would be

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2 (2)

			good to have their people along as well.
4	Implementation and follow up	<i>How is the quality of the service defined?</i>	We do the reporting according to customer's wishes, but if there are no specific requests we also have basic reports available to all customer in our NESQ reporting service.
5	Analysis	<i>In which areas do you think there would have been room for improvement in this project? In what way? How could that be done?</i>	In a case like this, IT involvement is not necessary from the start, but it does help if we are involved as soon as possible. In this case there was only one surprise; the company wanted separate phone numbers for each local office, which we did not know until just before go live day. This caused some hassle.
6	Best practice	<i>What things are done better at Nesenta than in other companies?</i>	Our technology team is great, I think our team is very good at vendor management and product development; also our service system and reporting tools are really good. Real time reporting makes it easier to maintain good service levels
7	Development needs	<i>How could the company avoid the problems in case of the next outsourcing?</i>	I would like to see more proactive product development options in the contact center / telephone system. And as I said before, technology should be part of negotiations already in early stages.

Field Notes Interview 4**TOPIC: CEO Interview****Information about the informant (Interview 4)**

Details	CEO
Name of the informant	Interviewee 4
Position in the case company	CEO
Date of the interview	23.3.2016
Duration of the interview	42 min
Document	Field notes

Field notes (Interview 4)*** Think of formulating your own questions; these are suggestions for you to start**

	Topic(s) of the interview	QUESTIONS	FIELD NOTES
1	Experience	<i>Personal Background?</i> <i>Your role in the company?</i>	I am the CEO of Nesenta. The company was based on Sitra research done in 2002, before that I have worked almost 20 years in various positions in service branch.
2	Service	<i>Tell me about this customer service?</i>	This was a quite special case. I was driving in my car going home from a meeting, when I got a call from the client. First I did not know what the man on the phone was talking about because it had been I while since we made the offer to the company. But after talking for a while I remembered and we agreed to meet. The person on the phone was with one of the co-owners of the client company. We met at a shopping mall and got along well straight away so we agreed to meet at our office. Company representatives came over and we had a good discussion. They called me shortly after. They had decided to choose us because they felt that there was a good vibe in our office. I like to ask this question from all our clients "why did you choose us?"
3	Contract negotiations	<i>How were the contract negotiations like?</i>	The client didn't have too many wishes when it comes to contract. There is a basic minute pricing,

			<p>as the calls are quite long in duration. Only request was defining the queue time that had strategic importance to the client. There was some discussion about the training because there is such versatility in the calls. We decided on the basic reporting. It is completely different situation if you are negotiating with a company that already has experience in outsourcing then with a company that does it for the first time. First time outsourcees do not know anything about key performance indicators or service levels, so we consult the client and sometimes advice adding them to the contract as it will make to monitoring of the service quality easier. This contract does not have any sanctioning or incentive clauses. The contract is continuous but with only three months termination period, so there is no need for specific exit clauses. There is no need to ask clients to sign for fixed long period because we have defined our pricing at a durable level.</p>
4	Implementation and follow up	<i>How is the service collaboration working?</i>	<p>I feel that this service is working really well considering the complexity of the calls. Key element is the system, the process is well documented and system provides enough information about the process and products.</p>
5	Analysis	<i>In which areas do you think there is room for improvement?</i>	<p>We plan to implement all service descriptions and manuals for training and back up service. The idea is to have them as knowledge database in our intranet so that all our personnel will have access to them. Also we have created a new position; Marika will monitor all resources and control available resources according to the agent skills.</p>
6	Best practice	<i>What things are done well?</i>	<p>We are strong in three focus areas, service skills- for example language- we service in Finnish, Swedish and English and in the future we plan to grow our expertise by adding more languages to</p>

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3 (3)

			our skills. Second we have all important service channels in use- phone, email, chat etc. Finally our technology is on high level- we can produce reporting and service tools tailored to our customer's needs.
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Field Notes Interview 5TOPIC: Service Agent interview**Information about the informant (Interview 5)**

Details	Customer service agent
Name of the informant	Interviewee 5
Position in the case company	Agent
Date of the interview	30.3.2016
Duration of the interview	21 min
Document	Field notes

Field notes (Interview 5)

* Think of formulating your own questions; these are suggestions for you to start

	Topic(s) of the interview	QUESTIONS	FIELD NOTES
1	Experience	<i>Personal Background?</i> <i>Your role in the company?</i>	I have worked in Nesenta over 10 years in different customer service teams. I have been working in customer service before, but then it was face-to-face service.
2	Service	<i>Tell me about this customer service?</i>	The service came to our team a couple of years ago from another team. They have a really good system where customer information is stored. If we can't do what the customer asks then we send customer information to the main office as call back by email. We can do all basic maintenance request scheduling and offers for apartment buildings, but all houses that are bigger than 500 square meters go for the main office for service offer calculation.
3	Training for the service	<i>How was the training conducted?</i>	The training was done in two parts, first the system and how different customer calls will be solved then we took calls for a while and then we had additional training. We had a consultant from the company in the beginning of this year and he has been listening our calls and given good advice.
4	Implementation and	<i>How is the quality of the service ensured?</i>	There are just normal service levels for the answering the calls. The consultant listened to our

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	follow- up		feedback and he got service levels for the main office callbacks, is so much better to tell the customer when they should expect the call, it is just better service. He also gave some good advice on how to answer the calls and explained both company perspectives. We got more training for the products and invoicing matters are also handled faster now.
5	Analysis	<i>In which areas do you think there is room for improvement?</i>	At the moment everything is working well, but before the consultant came, we had some problems, luckily he listened our feedback and they have made the process much better. I was really happy that they heard us and did the improvements we suggested.
6	Best practice	<i>What things are done well in this service?</i>	The system is the best I have worked with, it has a lot of information and it is easy to use.

Field Notes Interview 6TOPIC: Team Leader**Information about the informant (Interview 6)**

Details	Supplier Company Team Leader
Name (code) of the informant	Interviewee 6
Position in the case company	Team leader
Date of the interview	31.3.2016
Duration of the interview	39 min
Document	Field notes

Field notes (Interview 6)

	Topic of the interview	QUESTIONS	FIELD NOTES
1	Experience	<i>Personal Background?</i> <i>Your role in the company?</i>	I have worked for 11, 5 years for Nesenta, but altogether I have over 20 years' experience on customer service work for different companies.
2	Background	<i>Describe the service?</i>	The service is quite different from anything else I have worked with; closest to this was maybe Uponor waste water info service. We were taught about the process of cleaning by a video that shows how it is done but there a so many structural differences. Some customers ask if they could speak to a man about the job. I sometimes think that it might be better to have some man taking the calls, because I have never done air-conditioning maintenance myself. It might be helpful to go along with the maintenance people to see how it is really done. The calls are usually about maintenance scheduling and offer for air-conditioning pipes and filters and flues.
3	Training for the service	<i>How was the training conducted?</i>	The company representative gives initial training. We looked at a video on how the maintenance is done and we got training to the system. Then we took calls for couple of weeks and the he came to

			give us additional training.
4	Implementation and follow up	<i>How is the quality of the service ensured?</i>	They have a service level on 80%/20 sec, but there are only 5-10 calls a day. The consultant implemented a service level for the callback we sent to the main office,
5	Analysis	<i>In which areas do you think there is room for improvement? In what way? How could that be done?</i>	The consultant that has been helping us with this service has done a lot of improvements. It is so nice that he actually listened to us and has done many improvements on the service. We can now follow the status of a project and tell that to the customers on the phone. Customers can follow up on their projects status online, so they see the same thing as we do in the customer service. Also having the response time to the callbacks is very good improvement, customers are so much happier when they know they will get the callback.
6	Best practice	<i>Can you suggest so improvements?</i>	Before the consultant came there were some issues, but most of them are already solved, so for now I don't have any suggestions for improvements. The co-operation with this client is very uncomplicated and good and they really listen to what we think.

Comments on the Outsourcing Process Supplier ITC-Manager

Tender phase

- Service channels phone, email, chat etc.
- Clients own programs; phones and service system
- Is VOIP-integration needed?

Start-Up meeting

- Call and email routing
- Firewalls, server and VPN-connections
- Business Analytics
- Supplier contacting if service cannot be done with own resources
- Planning transition, timeline, testing, roles & responsibilities

Day-to-Day operations

- Reporting according to service agreement
- Service stabilization and adjusting
- Knowledge transfer between units, mail-lists, instant messaging, service system

Comments on the Outsourcing Process Supplier HR-Manager

Start-Up meeting

- Service team, are resources available, is recruiting needed
 - what is the agent profile
 - who has the most suitable resources in the team
- Training roles & responsibilities
- Timeline for implementation

Training just before the launch, for maximum knowledge retention

Day-to-Day operations

- Additional training if needed
- Support from the client company
- Knowledge transfer between units, weekly operational meetings
- Continuous service development
- Additional person to supervise team resourcing